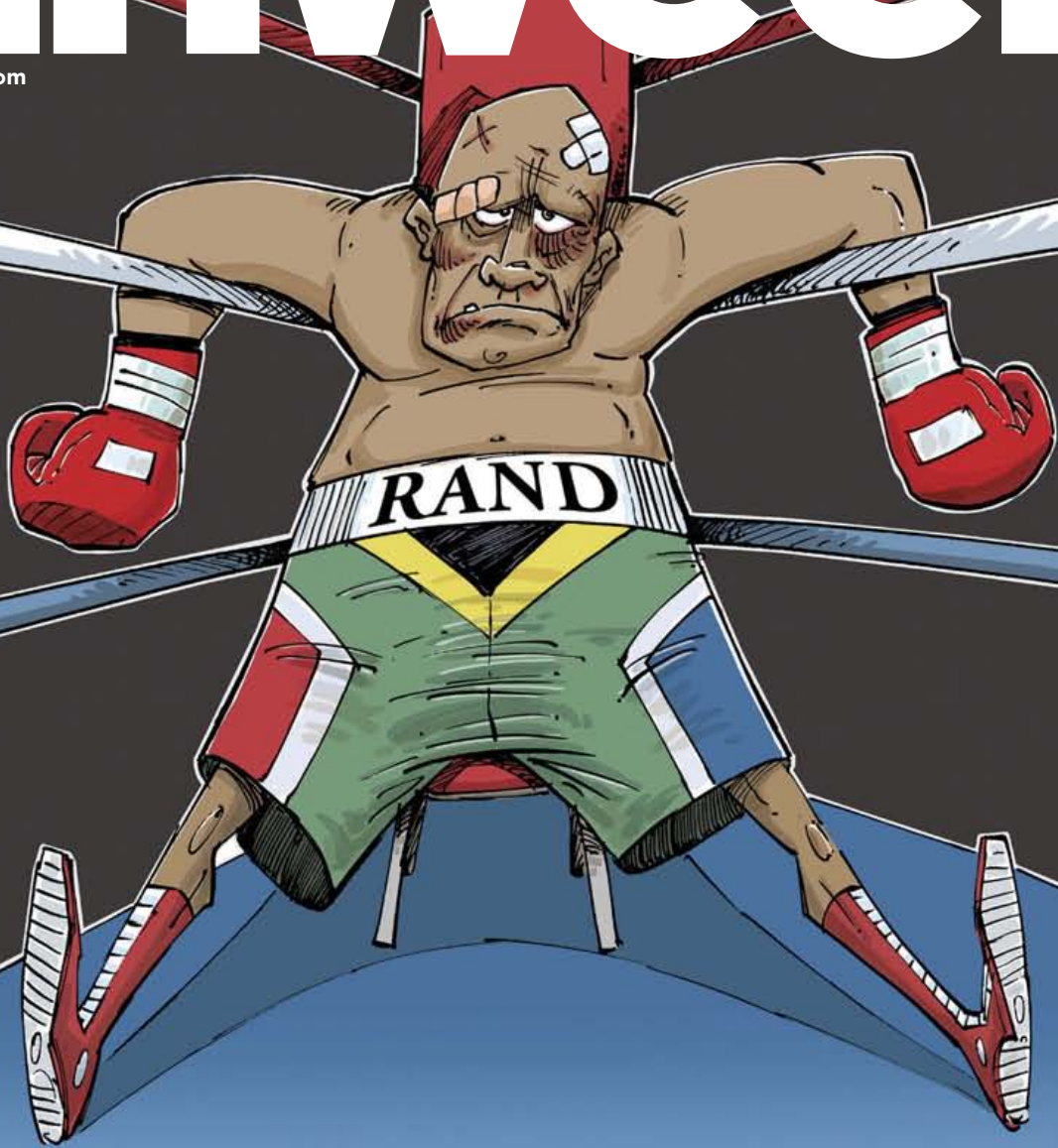


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THE RAND: WHICH WAY FORWARD?

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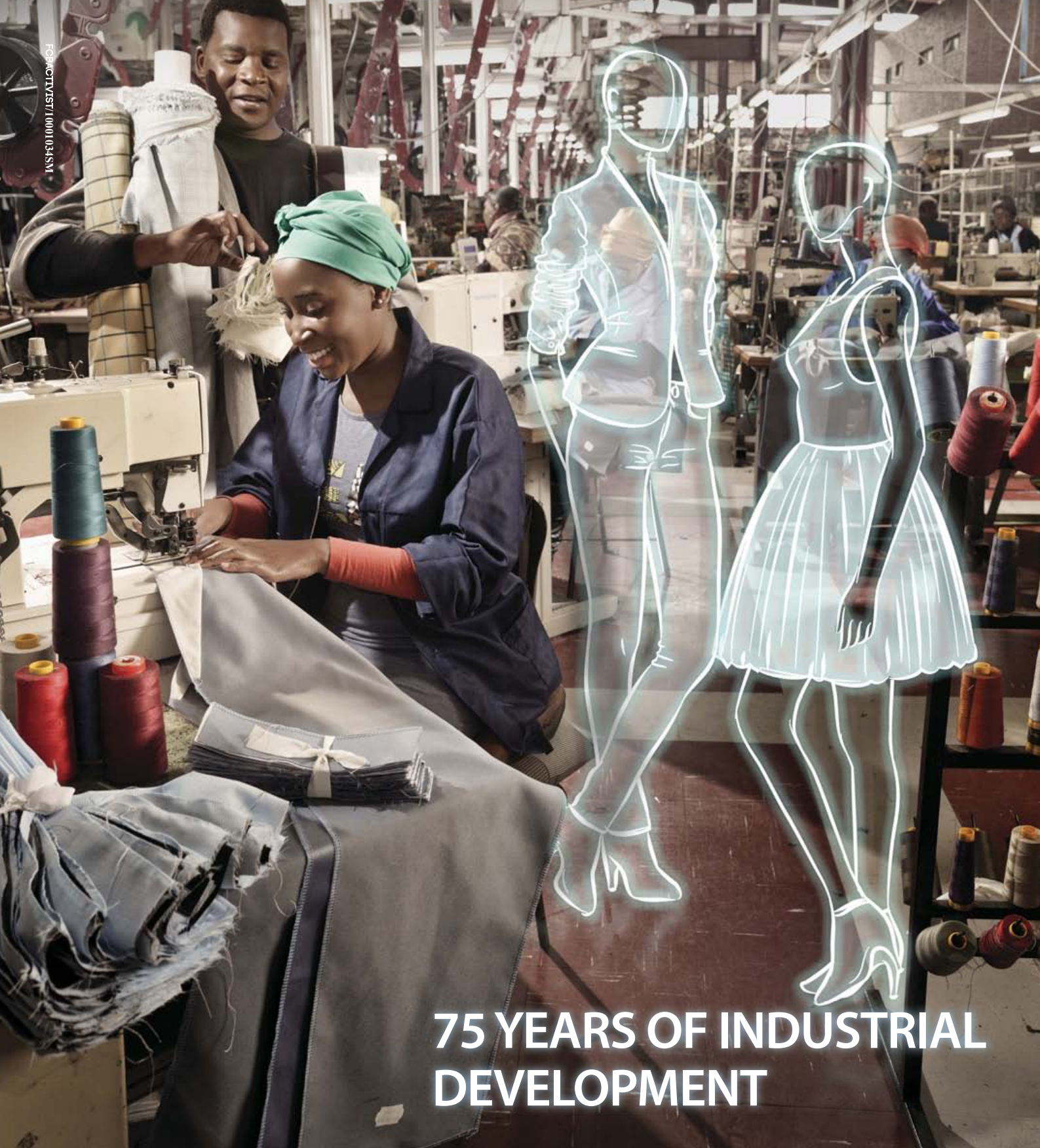


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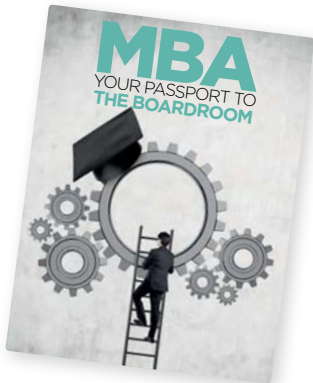


Your partner in development finance

Inside

P31

MBA: Your passport to the boardroom



P28

Unique solutions to SA's water challenges

- 4 Feedback** Nominate someone for *Finweek's* Top Women to Watch
- 6 In Brief** News nuggets
- 12 Letter from Nigeria** Boko Haram strikes again
- 14 Context** What do SA's tech entrepreneurs look like?
- 16 Cover** Where is the rand headed?
- 20 In The News** Bear bites dragon: Local resource stocks reel
- 22** South32 upbeat despite share slump
- 24 Spotlight** Merger extends African footprint for SA research house
- 26 Insight** Can Africa's potential growth outweigh its risk?
- 28** Unique solutions to SA's water challenges
- 31 MBA: Your passport to the boardroom**
- 32** MBAs are back in a blaze of glory
- 36** Should you do an MBA?
- 38** How to finance your MBA
- 40** How technology is changing executive education
- 42** From medical doctor to businessman
- 43 House View** Anglo American Platinum, Richemont
- 44 Fund Focus** A good option for dividend seekers
- 45 Invest DIY** How to spot dodgy numbers in company results
- 46 Killer Trade** Omnia Holdings – is it a valid breakout?
- 47 Simon's Stock Tips** WBHO, Brimstone, Chinese stocks, Coal of Africa, Naspers
- 48 Pro Pick** Big things in the works for Sasol
- 49 Money** Remember the word 'save'?
- 50** Unit trusts: 'An exceptionally good investment idea'
- 52** Overcoming debt one month at a time
- 54** Remain wary of Aveng
- 55 Entrepreneur** Lessons for success from Silicon Valley
- 56** Burger King rolls out into the townships
- 58 Last Word** Companies as citizens
- 60 Directors & Dividends** Dealings and payouts
- 61 Life** Quiz, Crossword
- 62 Pike** Funny business

P20

Bear bites dragon: Local resource stocks reel



P16

WHERE IS THE RAND HEADED?

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Feedback

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NOMINATIONS FOR *FINWEEK'S* TOP WOMEN TO WATCH 2015 NOW OPEN!

In celebration of Women's Day, *Finweek* will feature 30 of South Africa's top business women – the business leaders to watch – in our Women's Month issue.

You are invited to nominate inspiring women in business to make it onto our list of Top 30.

"As with many things in life, often only those business leaders who have it to the top receive the necessary recognition," says *Finweek* Editor Jana Marais.

"We want to celebrate those entrepreneurs and business women who, despite a tough economic climate, manage to inspire through strong leadership and business savvy," says Marais. "We are looking for entrepreneurs who successfully launched businesses, those business leaders who have turned around a struggling a business, or are bringing about growth at existing businesses."

If you know of an inspirational business leader – regardless of the scale or size of business – who should be on our list of Top Women to Watch, please send us a nomination.

TO NOMINATE A CANDIDATE, PROVIDE US WITH:

- ▶ The name and current job title of the candidate;
- ▶ A 100-word bio;
- ▶ CV, preferably no longer than one page, indicating educational background and career growth;
- ▶ The candidate's highest career achievement;
- ▶ A 100-word motivation on why your nominee should make our list;
- ▶ One high-resolution photograph (head and shoulders) of the candidate; and
- ▶ The candidate's contact details.

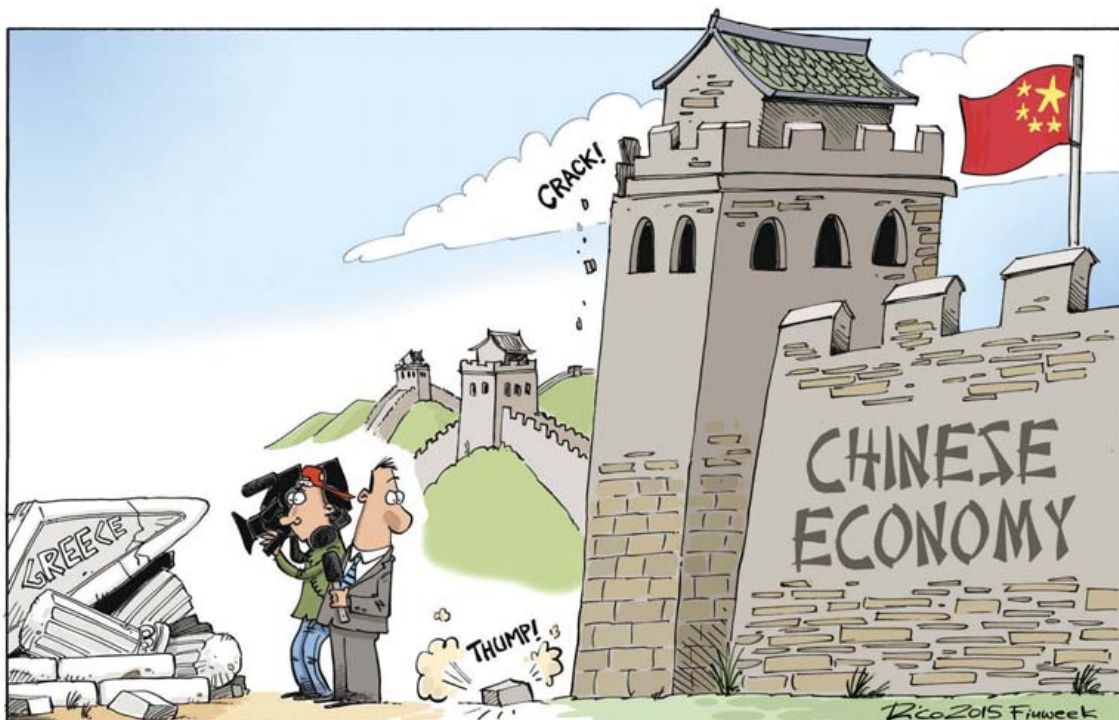
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Double take

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118

The number of hours a solar-powered plane flew, breaking the record for the world's longest non-stop solo flight of its kind. The plane, piloted by André Borschberg, landed at a small airport outside Honolulu, Hawaii, on 3 July, after taking off from Japan five days before. Borschberg's plane was equipped with 17 000 solar cells that charged batteries and ran on stored energy at night, *The New York Times* reported.

In Brief

\$50

The price of iron ore has fallen below \$50 (R623) a ton for the first time since April, as fears mount over the impact of declining demand in a market where supply is on the increase. Prices peaked at \$190 (R2 368) a ton in 2011. The biggest South African producers of steel-making metal are Anglo American's Kumba Iron Ore and Assore's Assmang, in which African Rainbow Minerals also holds a 50% stake.

\$18.7BN

Oil company BP has agreed to pay \$18.7bn (R233.2bn) to settle civil claims over the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. The company has already paid \$14bn (R174.6bn) in claims, advances and settlements related to the spill, which saw an estimated 3.19m barrels of oil pouring into the gulf for several months in the largest marine spill in US history.



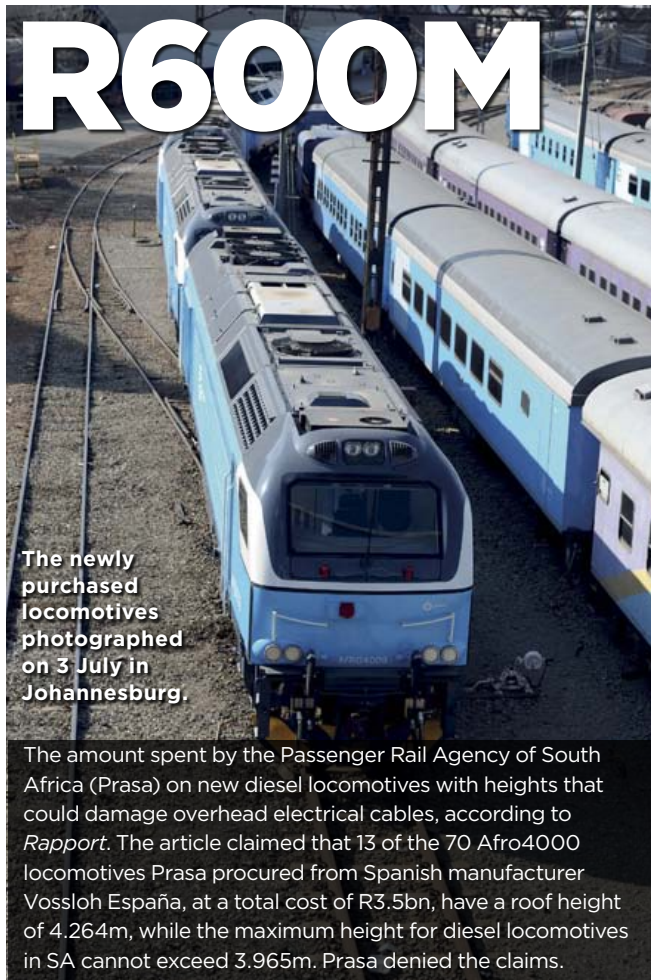
A rusted pipeline sits above the water near the Deepwater Horizon oil rig off the US's Gulf Coast, where the BP oil spill occurred.

Jeff Hutchens/Getty Images

R600M

The newly purchased locomotives photographed on 3 July in Johannesburg.

The amount spent by the Passenger Rail Agency of South Africa (Prasa) on new diesel locomotives with heights that could damage overhead electrical cables, according to *Rapport*. The article claimed that 13 of the 70 Afro4000 locomotives Prasa procured from Spanish manufacturer Vossloh España, at a total cost of R3.5bn, have a roof height of 4.264m, while the maximum height for diesel locomotives in SA cannot exceed 3.965m. Prasa denied the claims.



Gallo Images / Rapport / Felix Dlangamandla

100 000 TONS

The amount of second-hand clothes, shoes and accessories that Kenya imports annually. Quoting Oxfam stats, *The Guardian* reported that 70% of the world's second-hand clothes end up in Africa. Early this year, countries in East Africa have called for a ban on the imports of second-hand clothing, claiming that such a ban would result in a revival in the local textile industry. Following the introduction of market liberalisation policies in the 1980s, the number of people employed in the Kenyan textile industry declined from 500 000 to the current 20 000, it said.



Traders work in Gikomba Market, East Africa's biggest second-hand clothing market, on 10 July 2014 in Nairobi.

SIMON MAINA / AFP

THE GOOD

While the rest of us have been losing sleep over the state of the economy, billionaire Christo Wiese has been going about building his empire. Stellar Capital Partners, in which Wiese is an anchor shareholder, announced on 6 July that it will buy a 26.25% stake in industrial supplies and services business Torre for R690m. It's small change compared with the R62.8bn Steinhoff/Pepkor or R12bn Brait/Virgin Active deals Wiese's been busy with, but the deal is nevertheless a vote of confidence in a struggling sector.

THE BAD

Online taxi service Uber was forced to hire security in Johannesburg to protect drivers and passengers after metered taxi operators intimidated drivers and assaulted passengers trying to catch Uber taxis on 6 July. Metered taxi operators complain that Uber is not subject to the same regulations and can, therefore, undercut the rates offered by traditional taxis. Uber has sparked protests in numerous other countries around the world, notably in Hong Kong and France, in recent weeks.

THE UGLY

In June, business confidence fell to its lowest level since January 1999, according to the South African Chamber of Commerce and Industry (Sacci). The chamber said the local economy was struggling to improve productivity levels, while the effects of power outages and the inflationary effect of substantial increases in electricity prices would further hurt output.

The minimum basic pay for underground workers demanded by the National Union of Mineworkers (NUM), the sector's majority union. This figure is about R5 700 at the moment. The NUM also wants a 15% increase for artisans, miners and officials. The producers proposed a five-year wage deal with differentiated wage increases, plus a share of profits. The offer has been rejected by the NUM and rival Association of Mineworkers and Construction Union (Amcu), which represents about 30% of gold mining employees.

R10 500







GLOOMY DAYS

Skyscrapers Jin Mao Tower (left) and Shanghai World Financial Center in Shanghai's financial district of Pudong, photographed during heavy rain on 6 July. Shanghai has been earmarked to become the base of the New Development Bank (formerly the Brics Development Bank) launched in Moscow on 7 July. Shanghai, China's financial hub, remained in the spotlight this week, following weeks of jittery trade in shares of Chinese-listed companies. Over the past few weeks these companies lost a combined \$3.2tr (R39.9tr) in market value. (See page 20 for more on SA's exposure to the Chinese stock market.)

Photo: REUTERS/Aly Song

Simplifying the **property transaction** process

BY GLENDA WILLIAMS

The buying or selling of property is not a simple process. It involves large amounts of money, considerable dollops of emotion and invariably the process is complex and long-winded. But to simplify it requires a more functional approach, as well as access to market information by the consumer.

“Ultimately all players want to see a solid housing system that works well, and access to information is a fundamental building block to that,” says Marius Marais, CEO of FNB Home Loans.

Not surprisingly, information was a key factor in the development of Property Leader, FNB’s online property tool that gives prospective buyers and sellers access to property information, and also guides them through the home-buying process, all under one roof.

“For many people the process of buying and selling a property can be overwhelming. This tool is a way to hold the consumer’s hand throughout the entire process – from before starting to look for a house to when it is time to sell,” says Marais.

“It is a combination of important steps that can be tracked from both the buyer and seller’s point of view.”

Buying a property and selling a property are the two main pillars of the website, but finance is still the core engine of this tool. Because of this, it will be homebuyers who will derive the most benefit. The property tool uses a step-by-step guide to determine how much potential homebuyers are able to borrow, obtain pre-approval, research properties and submit a home loan application online which they are then able to track.

The bank’s pre-approval process solves one of the biggest quandaries for buyers, that of determining affordability.



Marius Marais



submitted, the entire process can be completed through the site.

“We have created a platform that accepts all the documentation and information required for a home loan application with FNB. The process is quick to log and the customer can track their home loan application through the site,” says Marais.

The site also offers free area and property reports. Area reports include details such as average house prices in the area, while property reports include the last bought and sold price of the property as well as an estimated current value calculated through a model developed for the FNB Property Leader site.

Property Leader is an important tool for simplifying the complexity of the home loan process, with improvements in technology and functionality likely to further streamline the site in the future.

“It is a journey, but it is not the ultimate solution. We will make incremental improvements all the time,” says Marais. ■

And as a pre-approved buyer, it also provides them with greater negotiating power.

“The system checks the customer’s credit score and, depending on the customer’s risk profile and affordability, automatically creates a pre-approval letter which serves as a provisional guarantee,” says Marais.

Once a home loan is ready to be

editorial@finweek.co.za

WHERE ARE THE RICH MOVING TO?

The number of people changing domicile (or migrating) has increased dramatically since the turn of the century, New World Wealth says in a new report. The study compared the domicile of a sample of about 60 000 global high-net-worth individuals (HNWIs) in 2000 with the same sample in 2014. HNWIs are defined as individuals with net assets of \$1m (R12.5m) or more, excluding their primary residences.

Over the period, the UK was the top destination for HNWIs from abroad. Most of these HNWIs came from Continental Europe, Russia, China and India, according to New World Wealth. London in particular has become a hub for foreign millionaires due to a number of factors, including the language, the international nature of the city, ease of travel in the EU, ease of moving money into and buying property in the country, and the quality of schools and universities, it said.

Singapore, in second place, benefitted from strong migration of HNWIs from China, India and Indonesia. In its favour was its close location to fast-growing HNWI markets such as China, Indonesia and India, low taxes and the international nature of the city, New World Wealth said.

Countries with the biggest outflows of HNWIs included China, India, South Africa and Egypt. The major reasons HNWIs emigrate are turmoil in their home countries, security concerns and wanting to optimise the education of their children, the consultancy said. South African HNWIs tended to move to Australia, the UK, Cyprus, Mauritius, the US and Canada, it said.

Countries ranked by
inflows, 2000-2014

COUNTRY	NET INFLOWS OF HNWIs	NO. OF HNWIs, 2014
UK	125 000	840 000
USA	52 000	4 105 000
Singapore	46 000	223 800
Australia	35 000	248 100
Hong Kong	29 000	211 700
UAE	18 000	72 100
Canada	17 000	340 500
Turkey	12 000	100 200

Note: HNWI numbers rounded to the nearest 1 000

Countries ranked by
outflows, 2000-2014

COUNTRY	NET OUTFLOW OF HNWIs	NO. OF HNWIs, 2014
China	91 000	608 500
India	61 000	226 800
France	42 000	323 400
Italy	23 000	198 300
Russia	20 000	117 600
Indonesia	12 000	48 500
South Africa	8 000	46 800
Egypt	7 000	20 200

Note: HNWI numbers rounded to the nearest 1 000

SOURCE: NW-WEALTH

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Boko Haram strikes again

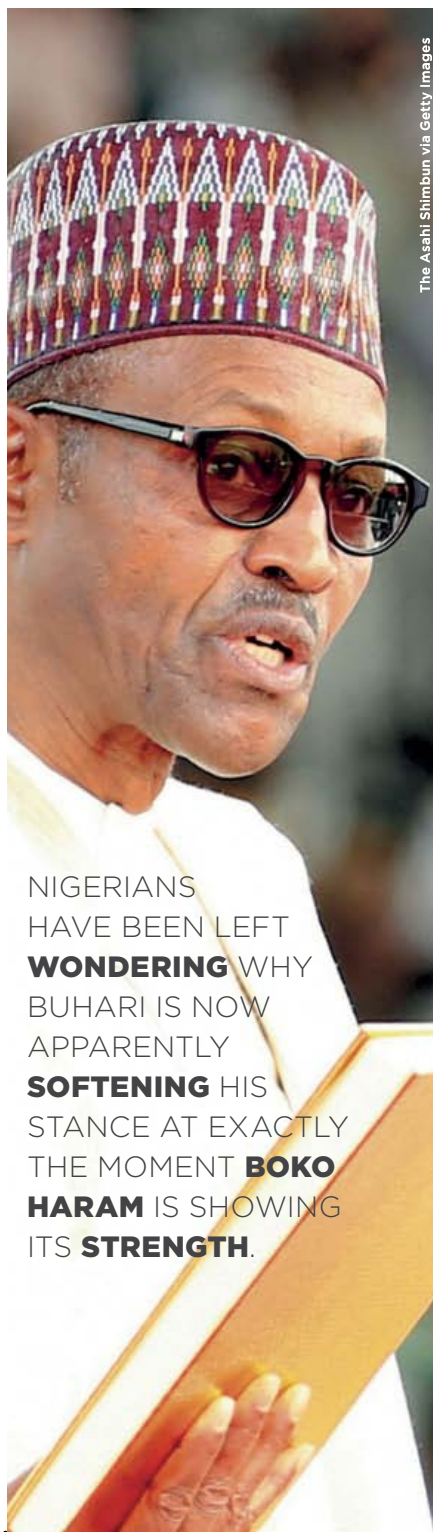
Boko Haram may be down, but it's most definitely not out. After a relatively quiet first half of the year, the Islamist militants – who have brought hell to Nigeria's northeast over the past six years – are back on manoeuvres in a big way.

Last week more than 200 people died in a rash of attacks. At the time I started working on this letter, the bombings were limited to Borno State. At the time of writing, people have been killed not only there, but also in Yobe and in Plateau. The terrorists took advantage of the holy month of Ramadan to kill people as they prayed in mosques, reinforcing their enormous distance from the peaceful Muslim faithful of Nigeria.

Nigerian President Muhammadu Buhari condemned the attacks as “the last desperate acts of fleeing agents of terrorism”, but the impunity with which Boko Haram carried out the killings suggests a deterioration in the security situation in the northeast, which had stabilised in the February-May period following an offensive by multinational forces from Chad, Niger and Cameroon, as well as Nigeria.

The latest attacks came against expectations that, having been degraded, Boko Haram would revert instead to less labour-intensive but high-profile tactics such as suicide bombings in Nigeria's major cities.

The bombings last week suggest instead that Boko Haram has more resources and more people to hand than thought, and that it is still capable of killing hundreds of people in many locations over just a few days. This is despite the fact it no longer holds the territory it did at the start of this year.



The Asahi Shimbun via Getty Images

NIGERIANS
HAVE BEEN LEFT
WONDERING WHY
BUHARI IS NOW
APPARENTLY
SOFTENING HIS
STANCE AT EXACTLY
THE MOMENT **BOKO
HARAM** IS SHOWING
ITS **STRENGTH**.

In short, the concern in Nigeria is that these are not last or desperate acts of Boko Haram. Rather they are acts of a resurgent force no longer feeling the strong arm of regional military action – even after Buhari last month ordered the release of millions of dollars in funds to the multinational joint task force charged with putting down the insurgency.

That the Buhari administration is seen as losing some of the traction gained against Boko Haram in the dying months of the Goodluck Jonathan administration, is adding to pressure on the president to appoint senior ministers – there is still no cabinet since his inauguration in late May – and demonstrate more forcefully his authority as the country's premier.

Against a backdrop of increasing criticism over his “go-slow” approach to the leadership, Buhari complicated matters last week. One of his advisers said the administration may be prepared to negotiate with the terrorists, apparently going against the president's previously hard line on the insurgency. To say this was poorly received would be a serious understatement.

Nigerians have been left wondering why, having made moves to strengthen relations with its regional neighbours and to disburse funds for the regional task force, Buhari is now apparently softening his stance at exactly the moment Boko Haram is showing its strength.

Whatever strategy this is, it's not what was expected, and until the insurgents are suppressed once more, it's not one that Nigerians – especially in the northeast – will consider effective. ■

editorial@finweek.co.za



Gallo Getty Images

<6

The number of months Greek finance minister Yanis Varoufakis served in his position before resigning on 5 July after Greek voters overwhelmingly rejected the latest bailout package from European creditors. Varoufakis, who lobbied for a “no” vote in the run-up to the referendum, wrote on his blog that he is stepping down to ease negotiations with creditors, many of whom preferred to negotiate without him in the room.

China's recycling capital

The Chinese town of Guiyu, on the country's south-eastern coast, is one of the world's largest electronic waste dump sites, according to Reuters, with about 5 000 e-waste recycling workshops.

Up to 15 000 tons of e-waste are recycled in this town daily, reports Reuters. This waste is shipped to China from across the globe.

In 2014, the world produced 41.8m metric tons of e-waste, according to a global e-waste report by the United Nations University Institute for the Advanced Study of Sustainability (UNU-IAS). This figure is forecast to increase to 50m metric tons by 2018. E-waste includes lamps, cellphones and computers, as well as household appliances such as vacuum cleaners and washing machines.

While Asia was the biggest contributor to e-waste in 2014, at 16m metric tons, Europe had the highest per capita generation of e-waste, at 15.6kg per inhabitant, according to the UNU-IAS.



Gallo Images/Reuters/Tyrone Siu

\$1bn

The value (R12.5bn) that was lost per minute by listed Chinese companies over the 15-day period ending 3 July, totalling a loss of \$3tr (R37.5tr), Bloomberg reported. By 7 July, 760 Chinese companies had halted trading in their shares, representing more than a quarter of all companies listed on the Shanghai and Shenzhen exchanges, according to the *Securities Times*, which is published by the Shenzhen Stock Exchange. Chinese markets hit a seven-year high in June.



\$2.84bn

The value (R35.6bn) of Berkshire Hathaway stock donated by Warren Buffett to the Bill and Melinda Gates Foundation and four family charities as part of his plans to give away nearly all of his wealth. This is the tenth annual donation by Buffett and the largest to date, comprising 20.64m Class B Berkshire shares. It brings his total contributions to the charities to more than \$21.5bn (R269bn). About 76% of the donated shares were granted to the Gates Foundation, Reuters reported.

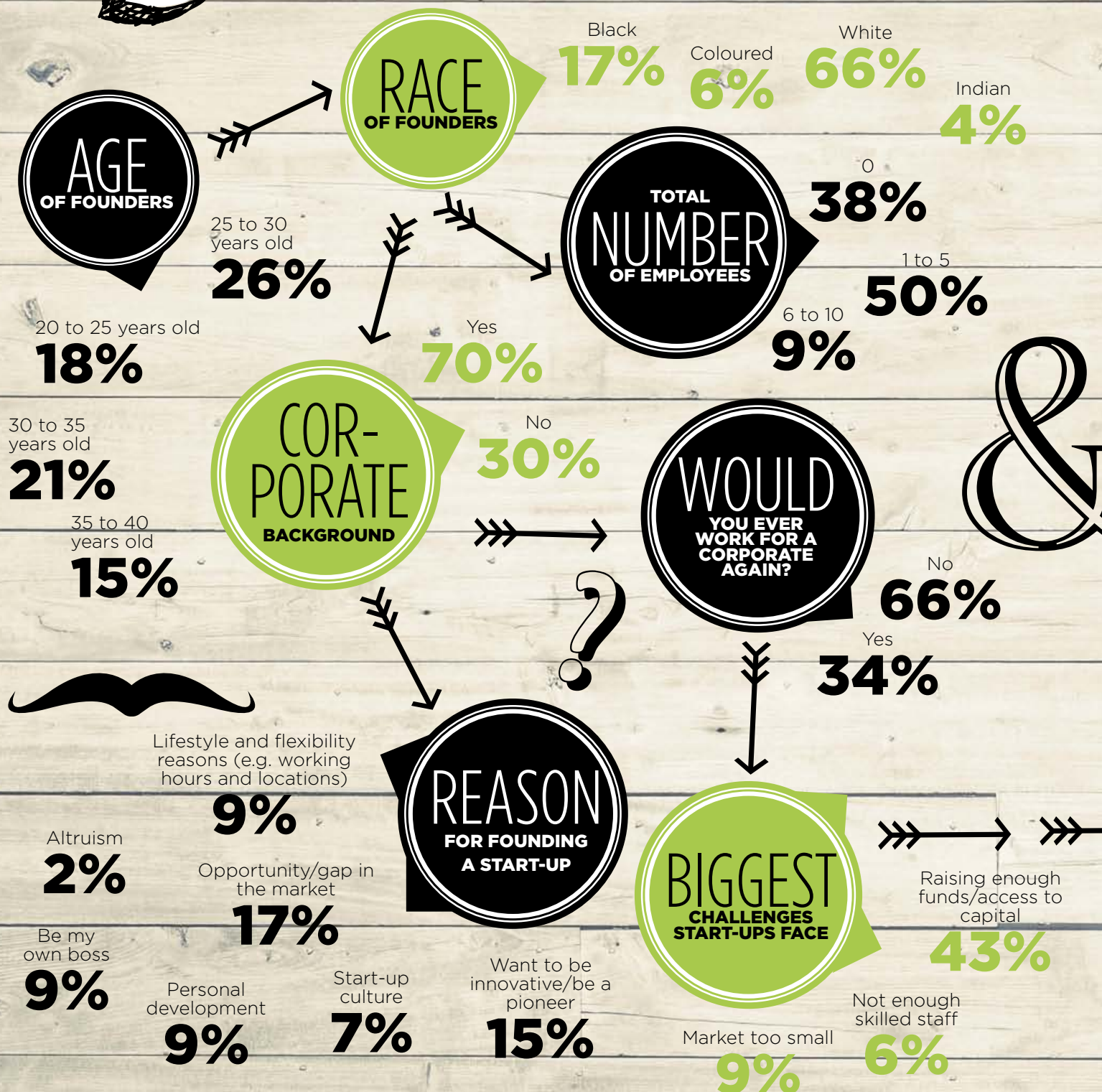
25.4m

The number of Americans who watched the United States' 5-2 victory over Japan in the Women's World Cup final on 5 July on Fox – a record for any soccer game, men's or women's, shown on English-language television in the country, *The New York Times* reported. Nearly 1.3m watched the game on Telemundo, a Spanish-language station. The international sponsors were Adidas, Coca-Cola, Hyundai, Gazprom and Visa.

WHAT DO SA'S TECH ENTREPRENEURS

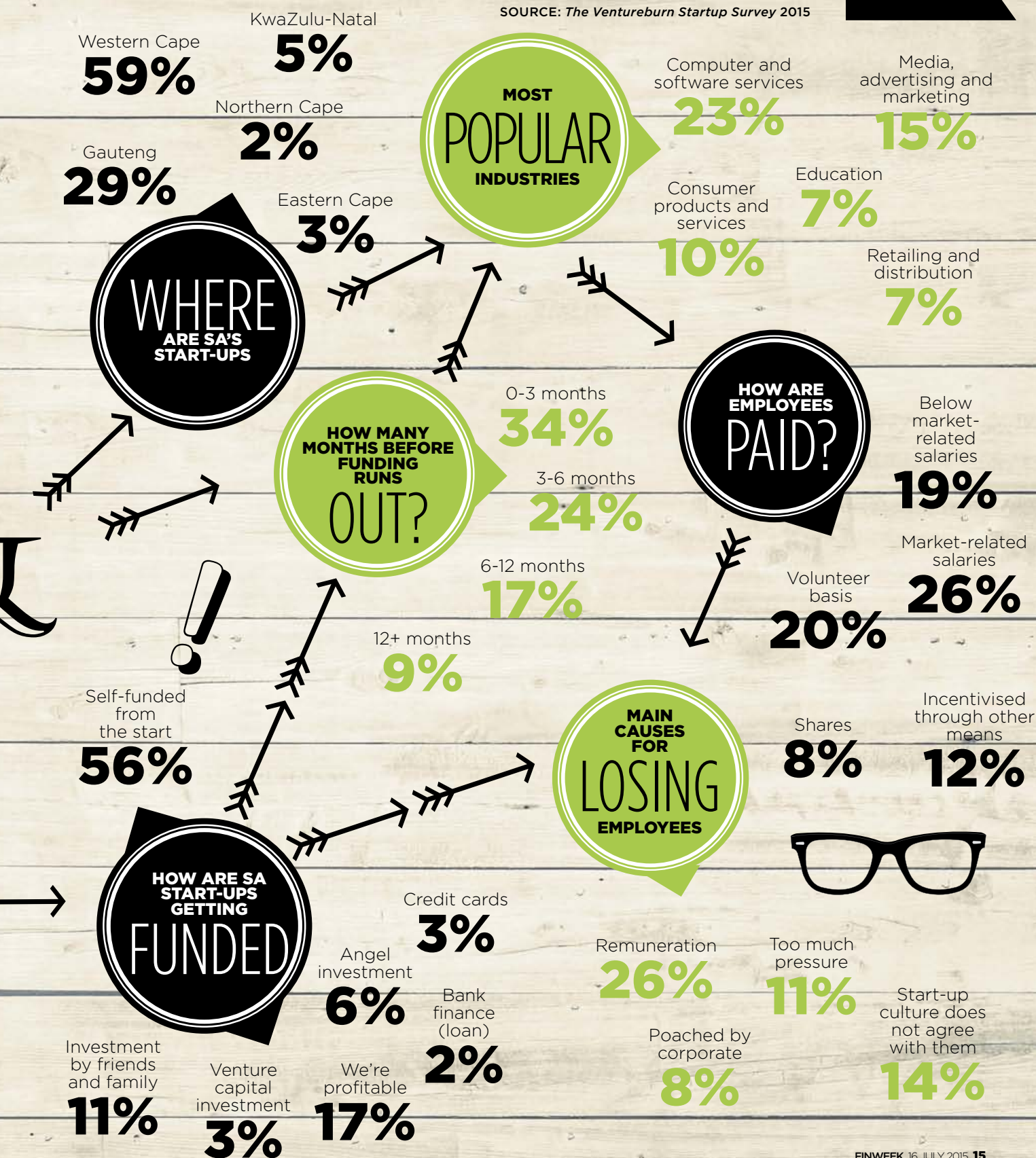


South Africa's tech entrepreneurs find access to funding their biggest challenge. Only 2% of the nearly 200 tech entrepreneurs interviewed recently indicated that they've used bank loans to fund their businesses, according to the annual *Ventureburn Startup Survey*. The survey defines a tech start-up as a company with annual revenue below R20m, and staff numbers between one and 100. Its key findings are summarised below.



REPRENEURS LOOK LIKE?

SOURCE: The Ventureburn Startup Survey 2015



WHERE IS THE **RAND** HEADED?

BY LIESL PEYPER

THE SOUTH AFRICAN RAND IS THE SECOND-MOST VOLATILE EMERGING MARKET CURRENCY IN THE WORLD, AND THE SLIGHTEST MOVEMENTS DOMESTICALLY AND ABROAD SENDS IT INTO A FRENZY. *FINWEEK* LOOKS AT WHAT IS IN STORE FOR THE RAND IN THE FORESEEABLE FUTURE AND HOW THIS WILL AFFECT OUR ECONOMY.



Things still aren't looking up for the rand. South Africa is running a large current account deficit – one of the biggest among emerging markets – and prospects for economic growth are muted at best.

The decline in commodity prices over the past few years because of lower demand has also hit us hard: we're earning far less in terms of exports and, at the same time, global demand for commodities has been weak.

Capital inflows and outflows also have a considerable impact on the rand – on the one hand, overseas investors have been eager to buy South African shares. On the other, this positivity has been muffled by the sale of government bonds, which put more pressure on government's ability to finance foreign debt.

Adding to our woes are uncertainty about Greece's future since the majority of Greeks voted no in the recent referendum. And prospects of an interest rate hike in the US could cause the rand to depreciate further.

The big questions are: will the rand go beyond its all-time low of R13.85 against the US dollar (reached in December 2001)? And if so, what does this mean for our economy? Should we be scurrying to buy dollars and investing money offshore?

HOW LOW CAN IT GO?

The analysts *Finweek* spoke to have mixed views on where the rand is heading. Maarten Ackerman, investment strategist at Citadel, believes the rand will remain under pressure for the near future and that it will depreciate even further in the coming months.

"Economically we are performing way under capacity. We can't make inroads in unemployment, poor education and inequality," says Ackerman. "We have a substantial trade account deficit, which means we're exceptionally vulnerable when international investors change sentiment."

When investors withdraw money

from SA and rand demand dwindles, there's only one way to "pay" for this and that's a currency correction downwards, he says.

Alex Smith, economist at First National Bank (FNB), is of the view that the rand has stabilised. "The rand hasn't weakened too much over the past six to 12 months and I think we're starting to see an equilibrium."

“

ECONOMIC GROWTH
HAS BEEN WEAK DUE TO
VARIOUS CONSTRAINTS.

A WEAK CURRENCY,
PER SE, WON'T FIX
THE CONSTRAINTS
TO GROWTH.

”

Denzil Burger, portfolio manager at MacroSolutions – a boutique of Old Mutual Investment Group – argues that the rand appears to be oversold at current levels.

"We're looking at the trade-weighted real exchange rate, taking the inflation rate differentials between ourselves and our major trading partners into account over time.

"On traditional measures the rand looks cheap, but if that's the case, why are we not successfully competing with international trade?"

Burger and his team at MacroSolutions predict it's going to be very difficult for the rand to strengthen from its current levels anytime soon, but their official forecast is that the rand could strengthen to about R11.75 against the dollar by the end of the year.

RIPPLE EFFECTS

Movements in the rand are primarily connected to what happens in the US, though the recent events in the eurozone, with Greece's no vote to austerity measures, also leads to rand depreciation.

Expectations that the Federal Reserve in the US will raise interest rates will prompt foreign investors to start buying dollars, says Ackerman, which is a much safer bet. "One of the biggest external factors that impact on the value of the rand is when rate hikes in the US attract capital into the US at the expense of emerging markets."

The Greek crisis, on the other hand, could cause the rand to win some ground against the euro. It will, however, create uncertainty in financial markets worldwide and make



Maarten
Ackerman

investors jittery towards emerging markets like SA.

"We start to see risk aversion towards emerging markets in general," says Smith. "And because we're one of the most liquid markets in the world, this risk aversion tends to influence us heavily and create volatility in our exchange rate."

At home, currency depreciation puts upward pressure on inflation, which in turn has an impact on bond yields. "Inflation is one of the key things bond investors take into account," says Smith. "Nominal bonds pay a fixed interest rate, so the higher inflation the less real



Denzil
Burger

return investors will get on their bond investments."

When bond yields increase the SA government needs to pay more to fund dollar-denominated debt.

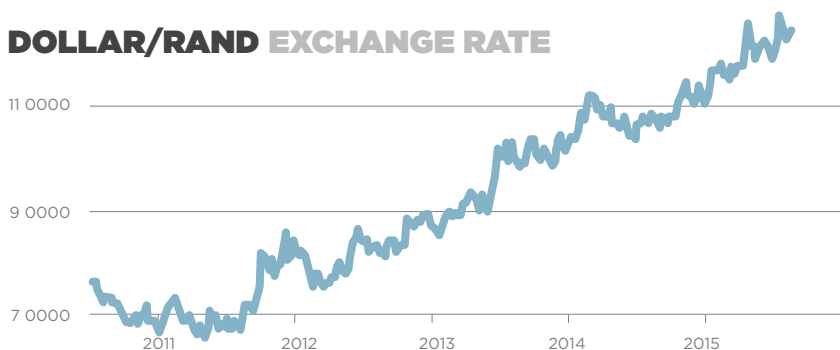
"Negative sentiment towards emerging markets causes foreign investors to sell governments, as has happened recently," says Ackerman.

"That means interest rates on long bonds increase and South Africa needs to repay its debts at a higher interest rate."

This also has implications for SA's sovereign credit ratings, says Ackerman.

"Remember, the rating agencies are watching us carefully to see if we make good on our undertaking to push down the budget deficit below 3%. With higher interest rates, South Africa will take much longer to bring it down."

DOLLAR/RAND EXCHANGE RATE



SOURCE: Bloomberg

CURRENCY WEAKNESS NO MAGIC WAND

One of the reasons MacroSolutions' Burger argues the rand is "not as cheap as current levels suggest" is because the country's balance of payments position has not really improved despite the

THE IMPACT ON YOUR POCKET

Because a weaker rand increases the price of imported goods, it is usually the consumer that bears the brunt of currency depreciation.

"We consume quite a lot of imported goods and generally it pushes up the cost of living," says FNB economist Alex Smith.

South Africa is a big importer of oil, for example, and a weaker currency drives the fuel price upward, which in turn has a secondary effect on consumers.

Smith does however believe that the recent trade surplus indicates that imports have muted somewhat and that SA is reaching a "balanced state" that allows households to pay down debt.

SHOULD YOU BE HEADING OFFSHORE?

Analysts have mixed views about whether investors should be moving their investments offshore.

"Citadel's view is: don't let the rand stand between you and an offshore investment," says investment strategist Maarten Ackerman. "Currently the JSE is expensive and there are markets offshore that are much

cheaper – even if you take into account the long-term price/earnings ratio against which they are trading. In our view there are foreign companies that afford investors with better growth prospects at better valuations."

His advice to investors wanting to go offshore is not to wait until the rand picks up. "Don't wait until the rand reaches R10 against the dollar. Buy dollars now." He also suggests that investors should manage exchange rates actively by taking rand hedges when the rand appreciates.

MacroSolutions' Burger, however, cautions investors that investing money offshore at the wrong time can take a long time to recoup. "It's like taking out an insurance policy – and an expensive one at that. Currency value is not a one-way bet and don't expect the rand to help you increase the value of your investment. We don't think investors will get a big boost from a collapse in the rand."

That said, Burger believes offshore equity is a better buy than local shares, because overseas companies have better growth prospects than the ones in SA.

expected benefit of a weaker currency.

"You'd expect our current account deficit would be narrowing on the back of a weaker currency," he says. "But instead our imports have been amazingly resilient."

Burger says one would expect people to cut back on imports substantially when a currency is weak. "But it's not really happening in a big way."

ARE NKANDLA AND THE LIKE HURTING THE RAND?

To what extent do politicians' utterances influence the value of rand? It's anybody's guess, really.

"There are a number of reasons why investors buy and sell rands and they never disclose them," says FNB economist Alex Smith. "Despite the noise in politics, investors really want to know if their money will be safe in a particular country. They'll ask if the finances are being managed prudently and whether there's a sensible monetary policy. As for South Africa, the answer to these things is 'Yes'. We indeed have a sound economic policy."

This, however, points to another indicator, he says. The fact that there is a significant number of constraints to our economy, such as labour unrest and electricity generation problems, which make it difficult for the economy to pick up the slack.

FNB's Smith has a more upbeat view.

"What we've seen over time is that the weakening of the rand has gradually allowed South Africa to become more competitive and attracted investments into our equity and bond markets."

Another positive is that the country has posted a trade surplus of R5bn in May this year, against all odds. "This is indicative that our exports are becoming more desirable and that our imports have declined."

Smith, however, concedes that a weaker currency isn't going to remedy a country's problems automatically.

"Economic growth has been weak due to various constraints. A weak currency, per se, won't fix the constraints to growth."

Against anticipations, the weaker rand also didn't boost SA's export sector,



Alex Smith

says Citadel's Ackerman. "Our export sector is actually very small and we don't really export value-added products. With the subdued demand and lower price for commodities, we couldn't capitalise on the weaker rand," he says. ■

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MOVING MONEY BEYOND SA BORDERS

"Predicting the moves of almost anything is hard but predicting the moves of a currency is much harder. As the rand is highly volatile, it is extra difficult to foretell what it is going to do," says Simon Brown, investor, trader and regular *Finweek* contributor.

"Personally, I try to move money offshore once a year at around the same time; so sometimes I win, other times I lose. If you're going to do a single one-off transfer you may get a great or a poor rate," he says.

"Over the longer term it won't matter significantly but there are exceptions. Back in December 2001 the rand was above R13 against US dollar – the worst level ever.

"The lesson here is don't panic and be methodical. Rather, take a regular approach to moving money offshore as I mentioned.

"If you do want to do a one-off transfer, consider doing it in three or four tranches over a six- to 12-month period to reduce risk," he advises.

NO WINNERS

Usually a weaker rand is a boost for local export industries, as it means goods and services are more affordable for international buyers. But in the current economic conditions we can't use our depreciating currency to our advantage.

The mining sector would traditionally have benefited from the lower rand in a big way, as commodities are priced in dollars. However, there is a subdued demand for commodities internationally and so prices are flat.

Manufacturing in general is also not capitalising on a weaker rand. The high cost of labour and electricity creates a break-even situation, says Christie Viljoen, senior economist at NKC African Economics.

"In theory, our tourism sector should also do very well. But the new immigration regulations, which came into effect at the beginning of June, are cancelling out the potential increase in foreign visitors," says Viljoen.

In the current weak rand environment there are, therefore, no real winners. ■

Bear bites dragon: Local resource stocks reel

BY JACO VISSER

The Chinese government's efforts to contain a slump in the nation's overheated stock markets could mean future state spending on infrastructure being further curtailed, while consumers buckle under the destruction of net wealth.

The Shanghai Composite Index, a benchmark equities gauge, has fallen by 28% since its record high on 12 June. The index rose by 60% this year before the sell-off started. The Shenzhen Composite Index has more than doubled since the beginning of the year to 12 June and has since slumped by 68%.

The destruction of net wealth doesn't bode well for South African resource companies, which export the bulk of the country's minerals to China. This is according to Jean Pierre Verster, a fund manager at 36ONE Asset Management, who helps to oversee the biggest hedge fund in the nation.

"The Chinese government has been shifting the economy to a consumer-led one and state infrastructure spending has been slowing for a while now," Verster said. "One of the knock-on effects would be lower demand for resources."

The impact has already been seen in the share price of Kumba Iron Ore, which has halved since the beginning of the year, falling from R239.90 to R121.50 on 7 July. African Rainbow Minerals slumped by 37% from R119 to R75.32 over the same period.

Africa's largest media company, Naspers, which holds a 34% stake in Hong Kong-listed mobile-games giant Tencent Holdings, has fallen by 5% since the Chinese stock market rout started on 12 June. Tencent fell 13% over the period.

The overheated Chinese stock market is largely limited to Chinese A-shares



"PEOPLE SAW IT GO UP AND EAGERLY BOUGHT MORE AND MORE SHARES, EVEN WITH BORROWED MONEY. IT WENT PAST THE POINT OF REASONABLE EXPECTATION AND PRECIPITATED A CORRECTION."

listed on the local markets of Shenzhen and Shanghai, which have high levels of retail investor participation and few international investors, Verster said. This created a "hothouse" effect in the country. Contagion to the Hong Kong market is limited because of its big exposure to international investors, he said.

The Hang Seng Index, Hong Kong's stock market gauge, has declined by 15% since 12 June.

The wealth destruction, estimated at more than \$2.9tr (R36.4tr), has resulted in the Chinese government propping up the country's stock markets through interest-rate cuts and raising the margin requirements for stock futures. This hasn't stemmed the sell-off by the more than 90m individual investors, many of whom bought shares through borrowing money.

"This is how markets work," Verster said. "People saw it go up and eagerly bought more and more shares, even with borrowed money. It went past the point of reasonable expectation and precipitated a correction."

He said the destruction of wealth could dampen Chinese consumer demand in the near future. Companies that could be hit include those with a large exposure to consumers. Richemont, the owner of various luxury watch brands, dropped 13% from R110 on 21 May to R97.07 on 7 July.

Meanwhile, US investment banker, Goldman Sachs, dismissed fears of a prolonged bear market in Chinese stocks, saying the government had more than enough fiscal and monetary tools to counter panicked investors' sell-off. ■

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South32 upbeat despite share slump

BY DAVID MCKAY

After a relatively strong debut on the JSE, South32, born of the demerger of BHP Billiton's non-core assets, has had something of a return-to-earth experience.

Shares in the company at the time of writing are roughly a fifth lower. Compared with other diversified counters like Glencore and BHP Billiton itself – down 6% and 11% respectively – it is an underperformance.

Analysts think the share slide relates to price adjustments in aluminium and alumina – two minerals to which South32 has exposure – and which, in turn, will result in lower earnings and

affect the size of the payout in terms of the firm's pledge to return a minimum of 40% of earnings.

"We believe much of the weakness in these commodities has been factored in," said Macquarie Research in a report earlier this week. "The cost-out programme [cost reductions] ... presents a material near-term catalyst for the stock and may go some way in offsetting some of the recent declines in South32's key commodities," it said.

In an interview with *Finweek*, South32 CEO, Graham Kerr, said commodity prices definitely had an effect on the company's share price. A slide in manganese prices, for instance, led to an announcement last month that it was considering a write-down of its ferromanganese assets in South Africa.

"If anything, it is a timely reminder of the need to show the market that our regional strategy will be different," said Kerr. "I think the market will see that over time," he added, referring to South32's strategy of acknowledging its mines were "unloved" by BHP Billiton and promising to lift productivity and cost-containment by having mine management report to local offices rather than the mother ship in Perth.

That's easier said than done, especially in SA, where cost containment is probably harder to achieve than in Australia, Mozambique and Colombia, where South32's other assets are located – a difficulty Kerr acknowledges.

"It is a different equation in SA for the cost-out and productivity drives," he said. "There will be a reduction in headcount for the functional support in SA, but there's no doubt that wage increases and the reliability and availability of power [lack of it] makes SA unique compared with other places we operate in," he said.

Of South32's SA assets, much scrutiny falls on its coal mines – major suppliers to Eskom and previously held in BHP Billiton Energy Coal SA. The attention they attract – their relevance to Eskom's increasingly desperate need for coal supplies as it seeks to keep the lights on – is disproportionate to their contribution, however.

As observed before in this magazine, the SA energy coal business comprises only 3% of net present value of South32's assets, either in terms of commodity mix or by asset. But Kerr sees possibility for these assets.

"It's easy to get caught up in the doom and gloom," he said. "Eskom is stretched from a balance sheet point of view, and the cost of diesel [used in operating open-cycle gas turbines] makes no economic sense.

"But our own projections with the two new power stations – Medupi and Kusile – are that Eskom is short of coal. From our perspective, there is an opportunity for us to build a sustainable and strong coal business in SA.

"Having said that, we need to make sure we have the right environment from a regulatory point of view. We require Eskom and the government to create economically rational conditions to have a strong base to drive empowerment," said Kerr.

He is referring to government's demand that new suppliers of coal

Graham Kerr



to Eskom be 50%-plus-one-share empowered – effectively forcing them to cede control of the production.

“But we don’t get depressed,” he said. “We think that is an opportunity and, going forward, we do believe that running a regional model and a lean operating model will help us drive the business harder.”

The implication is that Kerr sees in SA’s coal assets a point of growth for the group. They represent the kind of unloved assets that were allowed to trundle along in the behemoth that was BHP Billiton before the demerger.

“FROM OUR PERSPECTIVE, THERE IS AN OPPORTUNITY FOR US TO BUILD A SUSTAINABLE AND STRONG COAL BUSINESS IN SA.”

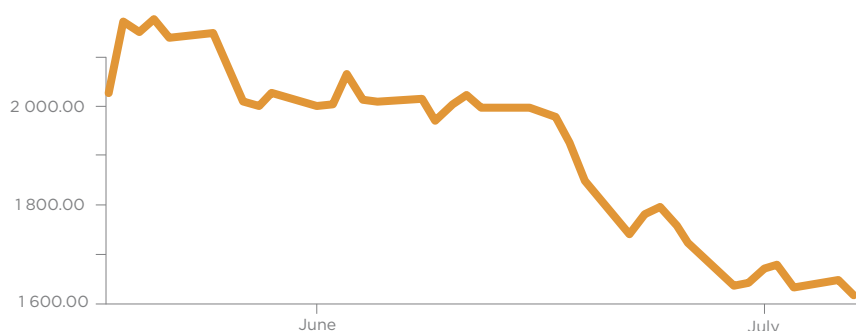
Not so, perhaps, for the group’s nickel mine and ferronickel smelter at CMSA (Cerro Matoso) in Colombia and the bauxite and alumina facilities at the Alumar operations in Brazil. As relatively standalone assets, they may not have the sufficient base to attract growth capital. And Alumar is not operated by South32 – it is run by joint venture partner Alcoa – which puts it at odds with the rest of the group’s mines.

“Colombia is an oddball. We need to decide whether to build a bigger business in South America and make it a third leg (to Australia and SA).

“We have to make up our minds what to keep in South America, but it’s too early to call right now.”

Kerr acknowledged that the mining sector was a difficult place for investors owing to long-standing disappointment with the type of investments the industry has made in the past.

SOUTH32 UNDER PRESSURE



According to Investec Securities, the major diversified mining sector is “going nowhere” at present. Even though share prices of the likes of BHP Billiton and Glencore have value, there is no apparent external stimulus to excite future earnings.

“Ongoing commodity price volatility, and our view of no significant recovery in prices until 2017, favour a cautious investment strategy,” Investec said in a recent report.

What’s interesting in the report, however, is that it raises the possibility that a further deterioration in commodity prices could force the major miners to sell assets to maintain dividend payments. The bank believes a lot of the “low-hanging fruit” in terms of cost reductions have been taken out of the system.

Might this create opportunities for Kerr and South32?

“We have a ‘crawl, run, walk’ strategy. When we think about mergers and acquisitions, it’s not a strategy; it is opportunistic and we look at it when we see value for shareholders,” he said.

“We want to establish predictable and reliable operations, maintain our investor-grade credit rating, and then we have spoken about returning a minimum of 40% back to shareholders as part of payout ratio.

“Any cash that’s left has to compete against making further returns to shareholders either through a dividend or a buy-back of shares, or projects we want to develop in the portfolio,” he said. ■

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Range since listing:	R15.25 - R22.33
Return since listing:	-22.2%
Current P/E ratio:	-
Market capitalisation:	R82.3bn
Earnings per share:	-
Dividend yield:	-
Average volume over 30 days:	790 601

SOURCE: Bloomberg.com



Merger extends African footprint for SA research house

BY LIESL PEYPER

Africa isn't only doom and gloom, as news reports would have us believe. The continent has enormous potential – a story the research house NKC Independent Economists has told for more than a decade. NKC's founder and MD **Noelani King Conradie** tells *Finweek* how the company's recent merger with a renowned international partner will extend its reach on the continent.

Noelani King
Conradie



T rue entrepreneurs never stop thinking about how they can expand their companies. The same goes for economist Noelani King Conradie, who has been toying with the idea of growing her economic and political research house, NKC, internationally for the past three years.

An opportunity presented itself a few weeks ago when Oxford Economics – a big global advisory firm – acquired a majority stake in NKC, headquartered in Paarl in the Western Cape. The merger will enable NKC to extend its reach beyond the 30 African countries it has been analysing since the early 2000s.

“NKC has built up a fantastic product and it was high time that we enter the international market, especially since there’s such a keen interest in Africa,” says King Conradie. “Partnering with an international player made much more sense than trying to do it on our own.”

NKC’s new partner, Oxford Economics, reports and analyses 200 countries, 100 industrial sectors and more than 3 000 cities. Its analytical tools and models enable it to forecast market trends and understand the ensuing economic, social and business impact.

“The partnership with Oxford gives NKC the opportunity to strengthen our coverage of emerging markets. Plus, we’ll have access to Oxford’s powerful models and analytical tools, which will also benefit our clients.”

“

THE CONTINENT
MAY CURRENTLY BE
IN A DOWNWARD
CYCLE WITH WEAKER
COMMODITY PRICES,
BUT CYCLES
TURN AGAIN.

”

THE NKC JOURNEY

King Conradie founded NKC in 2002 and the company has built up a reputation for sound, independent analysis and accurate in-house risk modelling. The 23-strong team comprises economists, econometricians and editors as well as quantitative and political analysts who are all experts in their fields and collectively have decades of



experience in reporting on Africa.

NKC issues daily economic reports for its national and international subscribers, focusing on highlights, key economic developments in the 30 countries it covers, as well as capital and equity markets and a short synopsis of the impact these factors have on the local economies.

King Conradie started her career at RMB Asset Management in 1995 and did trailblazing work at the former PSG Investment Bank, where she founded the economics department in 1999. When PSG chairman Jannie Mouton sold the business division to Absa in 2002, King Conradie took a voluntary severance package and the seeds were sown for her own independent economic research firm.

At the time King Conradie continued to write a daily economic report for PSG and soon she received a contract from FNB to research the African economies the FirstRand banking group was focusing on. More Africa assignments followed – one of which was to develop a sovereign country risk model for Basel II (a set of recommendations on banking laws and financial regulations issued by the Basel Committee on Banking Supervision in the early 2000s).

The FNB contract lasted nine

years, a period during which King Conradie established NKC Independent Economists and did extensive emerging market analysis.

BEST OF BOTH WORLDS

The fact that Oxford Economics has acquired a majority stake in NKC will in no way affect King Conradie's autonomy. "Technically I'll have a boss for the first time in 13 years, but I still have the liberty to make my own day-to-day decisions and they'll allow us to retain our hands-on approach."

NKC won't undergo a total name change either, except that "Independent Economists" will be changed to "African Economics".

"Oxford acknowledges NKC's expertise on Africa and that we're a recognised brand among our clients," says King Conradie.

NKC's immediate plans are to integrate its own economic projections with Oxford's models. "They report on the entire African continent and we focus on 30 countries. So the idea is that we take over all the Africa reportage," she says. "In addition, the merger will also give us the opportunity to get involved in ad hoc projects about Africa for the United Nations and the World Bank, for example."

WHO IS NOELANI KING CONRADIE?

Noelani (the name is derived from a character in the book *Hawaii* by James A Michener) was born and bred in Kempton Park in Gauteng. Her father, Wavell King, was an officer in the national air force. Her mother, Tersia King, was a former teacher who subsequently entered politics when she, together with Sheila Camerer, was one of the first two women after Helen Suzman to serve as MPs prior to 1994.

King Conradie obtained undergraduate and post-graduate degrees in economics (both cum laude) at the University of Pretoria. Prior to the establishment of NKC, King Conradie a financial economist at Absa Corporate Bank's treasury department and an economist at stockbroker SG Frankel Pollak Securities, to name but a few.

She lives with her husband, Handri Conradie and their three children on a farm in Ceres, where the family has grown fruit for the export market for six generations.



BOUNTIFUL AFRICA

King Conradie believes investors will continue to have a lively interest in Africa for years to come. "The continent may currently be in a downward cycle with weaker commodity prices, but cycles turn again."

Moreover, a number of countries, especially in eastern Africa, have realised that it is necessary to diversify away from commodities and there has been strong non-commodity growth in their economies recently.

The diversification trend could, however, also dethrone South Africa as the so-called "gateway to Africa", says King Conradie. Countries such as Kenya are improving their accessibility and points of entry, and current and prospective investors may soon argue that it's no longer necessary to enter the continent via South Africa.

As for SA, King Conradie is particularly concerned about the international message our government conveyed with its disregard of a court order to arrest Sudan's president and alleged war criminal, Omar Al-Bashir when he was in the country to attend the AU summit in June.

"Although we've had policy uncertainty and laxity with policy implementation, we were always able to rely on our strong financial system and judiciary. But we've now crossed a line in that our government has shown contempt of a court ruling," she says.

That said, King Conradie believes there are plenty of reasons to remain upbeat about the future of both South Africa and the continent, and that there are many positive stories waiting to be told. ■

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Can Africa's potential growth outweigh its risk?

BY JININE BOTHA

Africa is large enough to fit China, the US and the 28 EU countries within its borders. Yet if one considered Africa's challenges to growth, like internet connectivity and access to energy, the continent would shrink considerably in comparison with others on the world map.

This combination of size and the need for growth means economic opportunities abound on the continent. But do not expect a one-size-fits-all investment model – that is just not the African way.

This was the central message during a panel discussion on the challenges, costs and risks for African investment opportunities during Absa's Investment Conference in Sandton at the end of June.

According to one of the panellists, Jean-Pierre Matthews from Absa's Alternative Asset Management division, there are massive opportunities for investment in Africa. Matthews says investment in power generation and telecoms development will drive Africa's 5% GDP growth for the next few years.

"If we compare Africa to South Africa, on average South Africans have seven times more electricity available to use than the rest of Africa. So investment in these two things will be needed to make Africa's growth story a reality."

Chris Hart, economist at Investment Solutions, agrees there is a great deal of investment potential on the continent. But he warns that unstable governments are one of the factors hampering this growth.

"If I were to go and invest in Africa for the first time, I would not start in a country like Angola, for example. I would rather try Kenya, which has more political certainty," he says.

Godfrey Mwanza, head of Absa Pan Africa Listed Equities, says there's no single risk model for all of Africa. "Investors need to understand the difference inherent in Africa. It is not a one-size-fits-all place. Each country has its own opportunities and risks."

The investment themes in Africa are not new, he says. But there are now new ways to capitalise on some sectors, with infrastructure, energy, telecoms, consumer goods and agriculture on his

list of growth opportunities.

"Technology has enabled people in isolated regions to gain access to banking, for instance.

"And in 20 years' time Africa will have more consumers, more people entering the workforce, than the rest of the world combined. All these people will need food, clothing, cars and homes. This alone presents great opportunities," says Mwanza.



IN 20 YEARS' TIME
AFRICA WILL HAVE
MORE CONSUMERS,
PEOPLE ENTERING THE
WORKFORCE, THAN
THE REST OF THE
WORLD COMBINED.



DEBT LEVELS A CONCERN

But with the race to capitalise on the new golden opportunities on the African continent, a UK-based think tank warns that Africa may face a new debt crisis.

Apart from business risks associated with unstable or corrupt governments, a lack of infrastructure and violence, the tumbling of African currencies could cause the continent to slide back into indebtedness. Côte d'Ivoire is the most exposed, and risks losses of about 11% of its GDP because of its high debt and long maturities, says a report released by the Overseas Development Institute (ODI).

AFRICA'S GROWTH VS DEBT

COUNTRY	GDP GROWTH	EXTERNAL DEBT % of GDP
South Africa	2.2%	\$139.8bn – 42.3%
Nigeria	5.4%	\$13.7bn – 18.3%
Kenya	5.7%	\$13.4bn – 48.7%
Angola	6.8%	\$24bn – 30.2%
Côte d'Ivoire	8.7%	\$11.2bn – 45.8%
Seychelles	5.3%	\$2.7bn – 65%
Senegal	2.8%	\$5.2bn – 41.7%
China	7.7%	\$874bn – 26.1%
India	6.9%	\$427bn – 66.7%

SOURCE: IMF, World Bank

Judith Tyson, author of the report, says African nations face extra currency costs for their debt of nearly \$11bn (R136bn).

“The risk of default on debt in sub-Saharan Africa is growing and there are two main drivers of that. One is that many countries are borrowing simply too much relative to the size of their economies. Secondly, governments are also borrowing in US dollars,” she says.

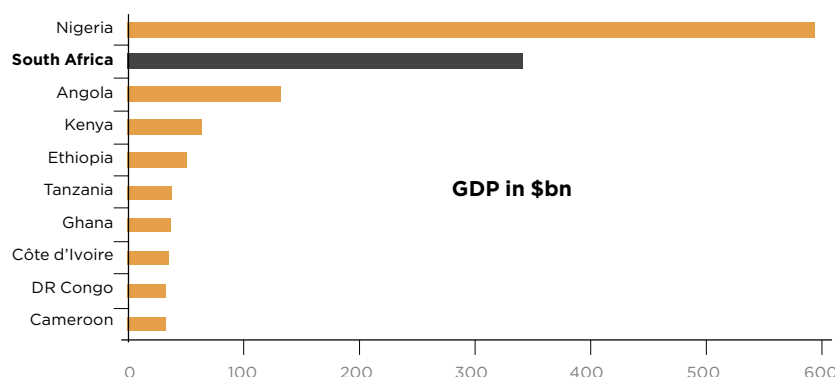
“In the last year, many African currencies have depreciated sharply against the dollar, and that means the value of that debt in local currencies has grown. We calculated it has grown by over \$10bn in the past year.”

The report says some countries are more exposed after heavy issuance in 2014. According to the World Bank, Ghana’s overall debt to GDP rate is 65%, while Senegal and Mozambique are both at about 50%.

According to the report, governments seeking to replace declining foreign aid and pay for infrastructure are also taking concessional funds from multilateral institutions, more expensive commercial bank loans and bilateral financing from lenders like China and Brazil.

Lumkile Mondli, a senior lecturer at the University of the Witwatersrand’s School of Economics and Business Science, says though Africa’s debt is worrying, most African countries are still “safe” because most of their debt is with multilateral institutions like the

TOP 10 ECONOMIES IN SUB-SAHARAN AFRICA – 2014



SOURCE: IMF

World Bank or International Monetary Fund (IMF).

“Those that went to the market before the recent commodity crash – such as Nigeria, Ghana and Zambia – face huge challenges in repaying [their debts] due to weak commodity prices,” he warns.

“South Africa has fiscal space to borrow for investment. But she has to change the budget mix away from consumption into capital investment, and stop dissavings. Otherwise, it will not be far away from the fiscal cliff.”

Tyson says there has “certainly... been a huge boom in Africa”. But she cautions that the “Africa Rising” story, very popular with Western investors, has led to a huge surge of capital into the region. “It is one of the risk factors, in terms of financial crisis, when we see capital

inflows and then outflows, and we are calling on investors to be more differentiated in their choices,” she says.

While investors ponder the risks involved in Africa, the panel says inaction, or not participating in Africa’s growth story, is just as perilous.

Meanwhile, research is showing that growth in India and Asia could surpass that of Africa if Africa’s growth potential is not nourished. A recent report released by the Economist Intelligence Unit finds that by 2050, Asia will account for 53% of global GDP.

Mondli warns that if one compares the levels of debt with Africa’s growth prospects, the continent still has a very long road to walk before it can be viewed as the next big economic market.

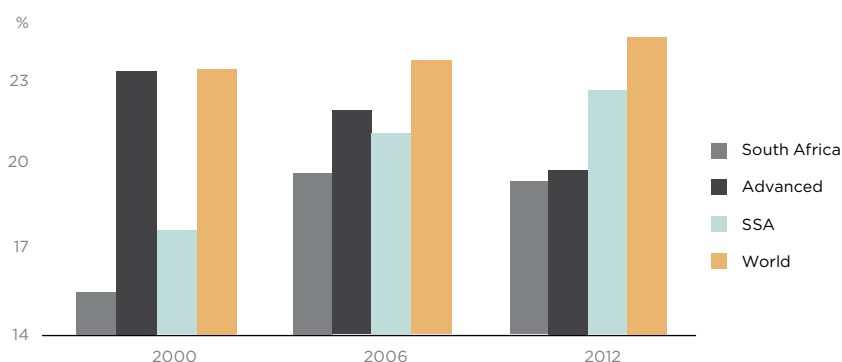
“Africa has and always will underperform its potential. It lacks courageous and visionary leadership, lacks accountability – such as in the SA case where the president spends millions on a private residence,” he says.

“It has to invest in infrastructure – water, sanitation, energy, rail, roads, telecommunications – and remove barriers to trade by allowing freedom of movement of goods and services.

“However, its biggest economic challenge is the lack of a ‘great transformation’ from a rural agriculture into manufacturing, which has been the case in all successful economies, including China recently.” ■

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INVESTMENT/GDP RATIOS – SUB-SAHARAN AFRICA OUTPACING ADVANCED NATIONS



SOURCES: IMF, South African Reserve Bank

Unique solutions to SA's water challenges

BY GLENDA WILLIAMS

There are calls for a change in the way the world is dealing with growing water challenges. It's not difficult to see why.

Only 2% of the world's water is fresh, and not all of it is accessible. More than 1bn people live in water-scarce regions, and as many as 3.5bn could experience water scarcity by 2025. By 2050, the global population is expected to rise to 9bn, putting more pressure on water resources.

In Africa, 38% of people lack access to clean water. Sub-Saharan Africa and South Africa also face daunting service delivery and management challenges, with water scarcity and the supply of reliable, potable (drinking) water among the most pressing.

SA is no stranger to the challenge of water supplies contaminated by sewerage, acid mine drainage and industrial waste. The Vaal Dam, which supplies water to about 20% of the country's population

– 12m people – is under threat from sewerage.

And recent sewerage spills in the Msunduzi and Umgeni rivers made that water unsafe to drink, bathe in or use for irrigation purposes.*

Aiming to address these challenges in unique ways are two local companies, Cirrus Water Management and The Mega Water Corporation.

**Statistics from Frost & Sullivan, World Bank, IFC, Global Water Intelligence.*

HARVESTING WATER FROM THE ATMOSPHERE

Yet to be tapped is a water system with abundant supply that is also far less vulnerable to contamination. This water comes from the atmosphere.

Extracting water directly from the air not only taps into another water system, it can provide water where it is unavailable or inaccessible. But adoption of this technology has been poor globally because of the large capital and operating costs, along with operational limitations.

This has not daunted Cirrus Water Management (CWM) and its innovative water technology provides sustainable and consistently high-quality drinking water. "Our atmosphere is full of water vapour and we are harnessing it," says Bruce Jones, CWM's commercial director.

Similar to an air conditioner in technology, though bigger in size, the method of extraction is less complex than one might imagine. Humidity in the air is extracted by drawing the air into a water generator and cooling it, causing the natural moisture in the air

to condense. Collected and passed through an advanced filtration process that removes any minimal impurities, Jones says it is "very pure; amazingly clean. Our water comes out so clean that people sometimes don't believe the results." National standards for water are zero measure of E coli. But E coli cannot survive in the atmosphere, hence this water has no trace of E coli or other pathogens.

Atmospheric water generation technology is in the public domain. What is unique to CWM is its Climate Control System (CCS). This system can create humidity through the use of recycled grey water, remote telemetry that measures humidity and adjusts temperatures, and web-based systems that show stock levels and water production and allows monitoring of the water modules from anywhere in the world.

Running on electricity, solar power or a generator, the water module provides 100 litres of high-quality drinking water over a 24-hour period,

with two days' worth of water able to be stored in tanks. Water is then fed using gravity or pumped through pipes to where it is needed, such as a chilling dispenser.

As a drinking water supplier, the water CWM produces is not economically viable for bathing or other uses. And in the absence of other competitors, its main competition is bottled water.

Consumers generally pay between R3 and R20 a litre of bottled water. The CWM cost is R2.20. That price includes capital outlay, a cost of R130 000 per 100-litre unit. Once the unit has been paid off, cost drops to R0.70 a litre.

A 100-litre module produces on average 3 000 litres of water a month, providing high-quality water to 40-50 people drinking between two and three litres a day. The company supplies a maximum of 10 modules per plant which produce 1 000 litres a day.

CWM's market is commercial buildings, the hospitality industry

AN INDUSTRIALISED SOLUTION

Infrastructure in SA, while not archaic, has not been attended to adequately and requires a vast amount of rehabilitation. A full audit of the infrastructure, which includes the identifying of water leakage, has never been undertaken. Water leakage in Rustenburg alone is 40%, Rudy Roberts, CEO of The Mega Water Corporation (MWC) tells *Finweek*. That alone is a quantum amount not only in the loss and wastage of valuable

MWC HAS PROVIDED
**REHABILITATED BOREHOLE
WATER TO NALEDI TRUST**
IN THE FREE STATE AND
IS DRILLING 50 BOREHOLES
IN THE BLOEMFONTEIN AREA.

Rudy
Roberts

water but in rand value. It is one such problem that MWC, launched last year as an integrated water utility enterprise, aims to tackle.

“Mega Water is a strategic lever to assist advancing our industrialisation in South Africa, to be a supportive partner to government in the challenges that South Africa faces. South Africa does not have an integrated industrial solution. Mega Water will be a one-stop industrial solution that mirrors many of the global companies,” says Roberts.

Government has a water plan in place but is challenged by the pressures of implementation and delivery of water services. “Government doesn’t have all the skills and is also constrained by budget and revenue,” he explains.

The cost required to maintain and fund new water infrastructure in SA is \$7.1bn (R88.3bn) per year. Of this, the department of water affairs (DWA) is able to fund just \$4.1bn (R51.2bn).

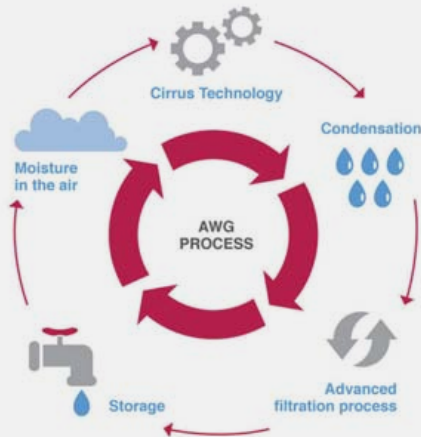
This is the reason partnerships and investment can play such a pivotal role, Roberts says.

Accretive opportunities for MWC lie in water treatment, wastewater treatment, maintenance, skills development and the provision of rural infrastructure.

In partnership with Danish water utilities business Grundfos, which provides MWC with what Roberts terms the “membrane” to develop their platform, MWC has provided rehabilitated borehole water to Naledi Trust in the Free State and is drilling 50 boreholes in the Bloemfontein area to supply clean, potable running water.

The company has also acquired a water engineering company at a cost of more than R40m. “This transaction is the first pillar that will allow MWC to start a water services business,” says Roberts. That includes assisting municipalities with their Blue Drop Programme, the DWA’s drinking quality management programme that requires water service authorities to comply with 95% of weighted criteria to achieve Blue Drop Status. ■

AWG PROCESS



and remote business – typically mining exploration or remote hotels and lodges. Remote business is where the company has experienced substantial traction. Supplying oil and gas exploration company Anadarko in Mozambique, CWM is also well along in negotiations for another contract valued at R25m in this region. Negotiations with mining companies in Kenya, Tanzania and the Democratic Republic of the Congo are also under

way.

Traction locally, especially in commercial buildings, has been less smooth. While capital outlay might have much to do with this, Jones says “people are used to bottled water and don’t understand the technology”.

But bottled water may not be all it is cracked up to be. BPA (Bisphenol A), a component widely used in plastic bottles, has been linked to a number of serious health problems. It’s a concern consumers partaking of CWM water will not have to worry about.

The company aims to capture 10% of the bottled-water market within four years. With the value of the local bottled water market estimated at R2bn, that equals R200m.

Atmospheric water generation technology has much going for it – high-quality water, lower cost than bottled water and a lower carbon footprint. More importantly, it is sustainable. Given worldwide drought conditions, the use of this technology may become more commonplace. ■

WATER: THE NEW OIL FOR INVESTORS

Investment opportunities in water supply and infrastructure as well as water treatment are trending worldwide. And investing in the companies providing solutions to water quantity and water quality could make those investors a handsome profit.

According to the Centre for Research on Globalization, water is being gobbled up by investors as they buy up water rights and shares in water engineering and technology companies around the world.

A sophisticated means of delivering potable water, which emerging economies often lack, as well as replacement or installation of new infrastructure, require a staggering amount of investment. And investors are naturally attracted to the opportunities that this presents.

Annual expenditure in the water sector worldwide is as much as \$90bn (R1.1bn), Roberts tells *Finweek*. The South African water sector, worth \$9.9bn

(R123.7bn), is viewed as the major water market in sub-Saharan Africa and represents the largest opportunity for direct investment or public private partnerships.

Investment has played a powerful role in water throughout the world, particularly in Brazil, China and other developing countries. But even while foreign investment wants to play a bigger role in SA, government has to lay the groundwork and framework hence investment here has been slow, says Roberts.

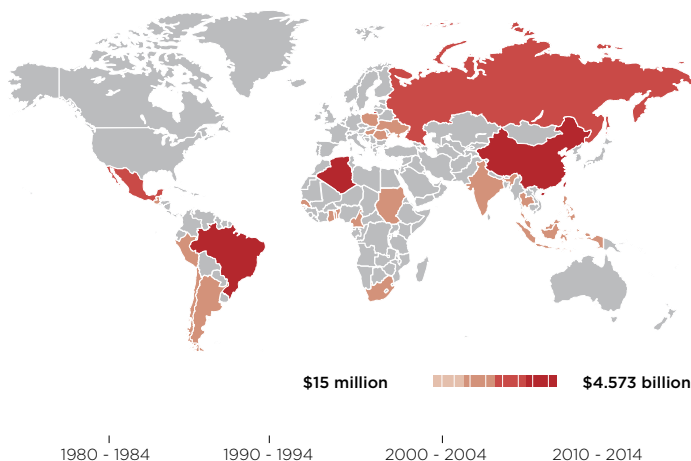
If global trends are anything to go by, investing in the water industry will not only mean that MWC helps solve SA's water challenges, it will also make the company some mega cash.

And the country can rest easy on the issue of its water sources being bought up. "That will not happen here," Roberts reassures. "Government owns the water." ■

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GLOBAL INVESTMENT IN WATER WITH PRIVATE PARTICIPATION*

(current US\$)



*Moveable assets, incinerators, standalone solid waste projects and small projects are excluded

SOURCE: World Bank

MBA

YOUR PASSPORT TO
THE BOARDROOM





MBAs are back in a blaze of glory

BY CIARAN RYAN

The MBA is still your best bet to the corporate boardroom, according to a recent analysis by Harvard Business Review. MBAs are held by 29 of the world's top 100 performing CEOs of publicly traded companies but – and this is the surprising part – it matters less which school you attend. Only seven of the top 100 CEOs went to the elite Harvard Business School, and just two got their MBAs at Stanford.

While this seems to suggest a narrowing in the field in terms of course content, quality of delivery and experiential training, there is still

a yawning gap between the top and bottom schools.

Executive education is a \$70bn (R867bn) a year business internationally, with customised programmes for corporations forming an ever-growing piece of the action. Executives who do not stay abreast of changes in their industry and the broader world of business, risk becoming irrelevant.

A decade ago the MBA fell into temporary disrepute due to an emphasis some leading schools placed on corporate finance modelling. This inevitably meant cost cutting, retrenchments and the offloading of what were considered

non-core parts of the business. Once proud businesses were gutted and dismembered by this short-term thinking, never to fully recover, all in the quest to maximise stock prices for shareholders.

Today, established firms are having to behave like tech start-ups and embrace a risk mentality, according to Justin Jansen, professor of corporate entrepreneurship at the Rotterdam-based Erasmus Centre for Entrepreneurship.

The MBA has changed over the years by focusing on real-world business issues, rather than regurgitating dry, academic theory that applied to a different age.

Executive education suffered during the financial crisis a few years ago but has rebounded with aplomb since then. Businesses, eager to steal a march on their competitors, now look to the top schools to tailor programmes for their staff and managers.

SA is rich in executive education options and has established itself as the continental leader in the field, judging by the growing number of attendees from outside the country. An increasing percentage of students come from Central and West Africa. The leading SA schools – the University of Cape Town's Graduate School of Business, Henley Business School, the University of Pretoria's Gordon Institute of Business Sciences, Wits Business School (WBS) and the University of



Tanya van Lill

Stellenbosch's Business School (USB) – continue to feature prominently in international rankings for their MBA and executive education programmes. (WBS did not respond to requests for information.)

"The MBA still remains the most sought after qualification for managers and leaders who know it is about much more than gaining knowledge – it is also about experiences and relationships that enhance their management practice," says Tanya van Lill, director of academic programmes at GIBS.

"Business schools remain relevant by staying close to business."

Business challenges are international in scope but there are issues unique to SA: power outages, BEE and legislative impediments to growth, to name a few.

UNIVERSITY OF STELLENBOSCH BUSINESS SCHOOL (USB)

GROWTH IN STUDENT NUMBERS

Total student numbers are up about 30% over two years to 1 342 in 2015. These include students for the MBAs, as well as USB's 10 other programmes (postgraduate diplomas, master's degrees and PhD).

INTERNATIONAL RANKINGS

"The USB values accreditations above rankings, because – unlike the latter – accreditations are the result of international peer-reviewed and audited processes," says USB spokesperson Heindrich Wyngaard. He says it is the first business school of an African university to receive the "triple crown" of international accreditations for business schools, namely the Association to Advance Collegiate Schools of Business International (AACSB), the Association of MBAs (AMBA) and EQUIS, part of the European Foundation for Management Development.

COST OF AN MBA

The MBA programme will cost R230 000 in 2016. This fee includes a compulsory international module to the value of R45 000.

WHAT OTHER EXECUTIVE EDUCATION PROGRAMMES ARE ON OFFER?

The USB offers the MBA and 10 other qualifications, including PhDs, master's degrees and postgraduate diplomas. The public company attached to the University of Stellenbosch Business School, USB

Executive Development, offers shorter executive education programmes.

WHY WOULD I CHOOSE USB?

- ▶ A strong focus on leadership development;
- ▶ In-depth knowledge about Africa;
- ▶ International accreditations;
- ▶ Intense interaction in class (personal touch and small groups);
- ▶ Global perspective and exposure (international students in class, international lecturers and international study visit); and
- ▶ Fifty-year legacy of providing business education since 1964.

HOW DO BUSINESS SCHOOLS REMAIN RELEVANT IN AN EVER-CHANGING WORLD?

Through constant contact with the real world of business, and by bringing business leaders into the classroom. The students, who are senior employees from a variety of industries, share their knowledge in class, and the school has an advisory board of high-level executives and directors charged with ensuring the course content is relevant and tuned to the ever-changing frequency of global business. USB's programmes are continuously re-evaluated and revised to cater for the demands and pressures of the business world. The MBA has just been redesigned into a "professional MBA" that caters to senior executives from SA, Africa and the rest of the world.

UNIVERSITY OF PRETORIA, GORDON INSTITUTE OF BUSINESS (GIBS)

Founded in 2000, the University of Pretoria's Gordon Institute of Business Science (GIBS) is an internationally accredited business school, based in Johannesburg. The academic focus is on general management in dynamic markets to improve responsible individual and organisational performance, in the SA and broader African environment.

GROWTH IN STUDENT NUMBERS

GIBS recently introduced two additional classes to accommodate demand for its MBA course: an extra part-time class and a "long-block" modular class. The part-time class was introduced for students who prefer evening and weekend classes to minimise time away from the office. The "long-block" course is aimed at those unable to attend regular classes but who prefer to take two to three months off at a time.

INTERNATIONAL RANKINGS

In May 2015 the annual UK *Financial Times* Executive Education rankings, a global benchmark for providers of executive education, once again ranked GIBS as SA's, and Africa's, business school. This is the 12th year running that GIBS has been ranked among the world's top business schools. In October 2014 the GIBS MBA was ranked among the top 100 business schools globally in the *Financial Times* Executive MBA Rankings. GIBS is the only business school in Africa to appear in this ranking.

COST OF AN MBA

Total tuition fees for the programme (2016 and 2017) are R210 500, excluding the compulsory global module which costs between \$4 000 and \$5 000, depending on the destination selected.

OTHER EXECUTIVE EDUCATION PROGRAMMES ON OFFER

GIBS offers a variety of programmes in its executive

education portfolio, including the prestigious Global Executive Development Programme (GEDP), and the General Management Programme comprising short courses in the areas of management excellence, board and director development, strategy, leadership, marketing, finance, innovation and personal and organisational effectiveness. GIBS also runs a series of programmes on dynamic markets, specifically the challenges, opportunities, threats and risks associated with doing business in Africa. A variety of tailor-made programmes are developed in partnership with organisations aimed at building leadership capacity. Programmes are designed to have a measurable impact on an organisation's ability to deliver on its strategy and make its people a source of competitive advantage.

WHY WOULD I CHOOSE GIBS?

Location, for one. Being situated in Sandton, SA's business hub, gives it an accessibility advantage for Johannesburg and Sandton-based businesses.

GIBS has close relationships with the majority of SA's top corporates through its work in customised executive education, academic and executive education programmes. These relationships give it a powerful understanding of the challenges faced by businesses.

HOW DO BUSINESS SCHOOLS REMAIN RELEVANT IN AN EVER-CHANGING WORLD?

By strengthening the skills and business acumen of leaders in the business community in a way that builds global competitiveness. The MBA still remains the most sought after qualification for managers and leaders who know that the degree is about much more than gaining knowledge – it is also about experiences and relationships that enhance their management practice. GIBS has styled itself the school for business, and it backs this up by fostering close relationships with business.

HENLEY BUSINESS SCHOOL

INTERNATIONAL RANKINGS:

- In 1% of business schools worldwide with triple accreditation;
- World Top 30 business schools for executive education – customised programmes;
- Top 33 in the world for executive education (open programmes);
- Top 20 in the world for post-MBA salary increase
- First in the world for the potential to network;
- First in the world for MBA student quality (as ranked by the *Financial Times* and *The Economist*).

OTHER EXECUTIVE EDUCATION PROGRAMMES ON OFFER:

Henley offers a flexible MBA as well as an MBA for the creative and music industries.

Executive education includes:

- Foundations for new managers' programme;
- Managers' accelerated progression programme;
- Everyday project management;
- Finance for non-financial managers;
- Professional Certificate in Coaching;
- Time to think: intelligent collaboration;

UNIVERSITY OF CAPE TOWN GRADUATE SCHOOL OF BUSINESS (GSB)

GROWTH IN STUDENT NUMBERS

While student numbers on the full-time MBA programme are constant, student number on the modular MBA grew by roughly 15% over the last two years. The school also offers an MBA in Executive Management, a Master of Commerce in Development Finance, a Master of Philosophy in Inclusive Innovation and a postgraduate Diploma in Business Administration, all of which report steady registration numbers for 2015.

INTERNATIONAL RANKINGS

The Financial Times rated GSB's MBA at 52 on the list of top business schools. Its executive education is ranked 56th on the short course ranking.

COST OF AN MBA

R184 450

OTHER EXECUTIVE EDUCATION PROGRAMMES ON OFFER

- ▶ MBA in Executive Management (EMBA);
- ▶ Postgraduate diploma in management practice;
- ▶ Short courses in leadership, management, social innovation and entrepreneurship and business acumen;
- ▶ Customised courses for corporate clients.

WHY WOULD I CHOOSE GSB?

GSB has a long, distinguished pedigree with some great alumni, and is consistently ranked at, or among, the top business schools on the continent. It has a strong focus on emerging market finance and trade, social innovation and entrepreneurship, and values-based leadership and sustainable performance.

The location in Cape Town is definitely a positive for many students, particularly those working in and around the city or who want to relocate there. It has the largest faculty in Africa, with a strong research focus that emphasises practical application.

HOW DO BUSINESS SCHOOLS REMAIN RELEVANT IN AN EVER-CHANGING WORLD?

The only way is to ensure constant exchange of ideas with others. GSB collaborates with corporates and other institutions around the world to keep in touch with key global trends in education, and also to what the world of business needs. Key corporate partners include Allan Gray Foundation and MTN.

Research is also vital in ensuring relevance. The GSB has the largest faculty in Africa and is one of the biggest contributors to research (both academic and applied) in sub-Saharan Africa.

SA IS RICH IN EXECUTIVE EDUCATION OPTIONS AND HAS ESTABLISHED ITSELF AS THE CONTINENTAL LEADER IN THE FIELD JUDGING BY THE GROWING NUMBER OF ATTENDEES FROM OUTSIDE THE COUNTRY.



Gallo Images/Stock

- ▶ Neuro-linguistic programming for behaviour change;
- ▶ Customised programmes at all levels of management for clients both in the public and private sector, such as the Executive Development Programme, Advanced Development Programme, New Managers' Programme, and customised in-house short courses for clients, such as finance for non-financial managers.

WHY WOULD I CHOOSE HENLEY?

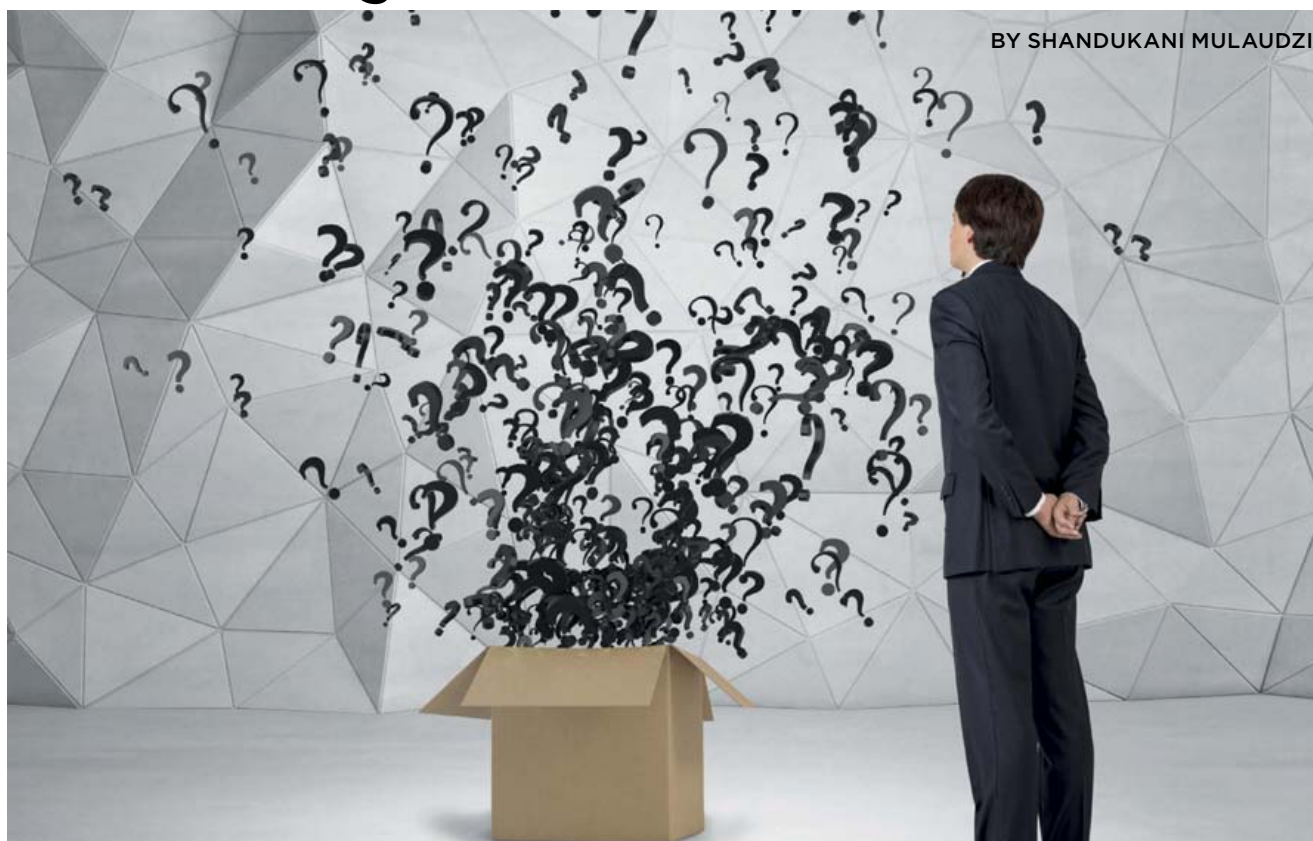
It offers an internationally accredited MBA, specialising in emerging economies. The school is renowned for experiential

and action learning, often choosing actual business challenges as identified by executive committees, with the results being fed back to the executive committee at programme completion. The marriage of expert teaching, research and hands-on experience has earned it high marks from students and accreditation bodies. It partners with clients to co-design courses, with a strong focus on bottom-line results. It also offers access to leading thinkers in SA and more globally within the Henley international fold (such as Finland, Germany, UK, Malta and Denmark). ■

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Should you do an MBA?

BY SHANDUKANI MULAUDZI



Gallo Images/Istock

Does everyone have an MBA these days or does it remain the exclusive degree for executives? *Finweek* spoke to some experts to guide you to a decision on doing an MBA.

SHOULD YOU DO AN MBA?

Yes, absolutely! This is the view of Leon Ayo, the MD of Odgers Berndtson. Companies still see value in the MBA, he says, but warns that a high value is placed on the institution offering the degree.

Andrew Woodburn, MD of Woodburn Mann, says in the past an MBA was valued by employers because very few employees had one. While it may not be as sought after as it used to be, it definitely still gives you an edge on your CV, Woodburn says.

However, in order to set yourself apart in the workplace, it is crucial to apply what you have learnt.

“It’s not about the certificate you get, it’s about how you use that knowledge,” says Woodburn.

HOW DO YOU DECIDE ON A SCHOOL?

It is important to understand the different types of MBAs offered, says Woodburn.

They include:

- ▶ Distance-learning MBAs that are done with no class interaction;
- ▶ Part-time MBAs are completed while you work and have on-site engagement; and
- ▶ Full-time MBAs, which you cannot do while working.

Prospective students should keep in mind that part-time and full-time MBAs are usually regarded as more beneficial than a distance-learning MBA, says Woodburn.

Ayo says it is important to consider which schools are held in high regard by employers. “You don’t want to end up in a situation where you have done an MBA – and it could very well be just as good as another – but, because employers don’t see its value, you end up being in the same boat as someone who hasn’t done an MBA at all.”

Nerina Visser, strategist and adviser at ETF, says it’s important for an individual to choose an MBA based on their own needs. “One needs to be clear about one’s own motive... one’s own value,” she says.

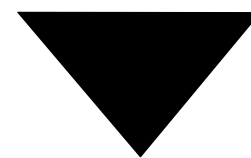
The MBA at Stanford, for example, is highly regarded. But it has a strong focus on entrepreneurship, and will, therefore, not be well-suited for all executives.

It is also important to check accreditation when you decide on a business school. In South Africa, the Council on Higher Education re-accredited business schools across the country in 2004. The most recent regulations for an MBA state that the Higher Education Quality Committee will accredit an MBA only if it is at

National Qualifications Framework level 9 – raised from level 8. The MBA also has to consist of a minimum 25% research element to qualify as a master's degree.

This is the standard accreditation that any school should offer you. In addition, there are three international accreditation bodies: The Association

“YOU DON'T WANT TO END UP IN A SITUATION WHERE YOU HAVE DONE AN MBA BUT, BECAUSE EMPLOYERS DON'T SEE ITS VALUE, YOU END UP BEING IN THE SAME BOAT AS SOMEONE WHO HASN'T DONE AN MBA AT ALL.”



WE TALK TO NERINA VISSER ABOUT HER EXPERIENCE

Before doing her MBA, Visser completed a BSc degree in mathematics and statistics. She decided to do her MBA because she wanted to get a foot in the business world. She did the modular course at the University of Stellenbosch Business School and later did her CFA.

WAS THE MBA BENEFICIAL?

In my case I did not have any BCom, investment or finance background. So for me it was incredibly valuable to get an introduction to so many business and management-related subjects – whether it was accounting, or economics, or even strategic and production management. It was very important that I got that insight and theory that I had not come across in my undergrad.

WHAT MADE THE EXPERIENCE VALUABLE FOR YOU?

The advantage of a modular course over the full-time or part-time courses – though it takes a lot longer – is there is more opportunity to actually take back what you learn and apply it to your work. You can also take the real work and real problems to class and find solutions for them there. I think people underestimate the richness of the class you have in your MBA. There is value in the sort of soft skills you learn from dealing with such a spectrum of people.

WHY DID YOU DO YOUR CFA? HOW DID THE TWO COMPARE?

I wanted to have a better understanding and knowledge of investments. The MBA gives a broad-based understanding of the moving parts and components of a business.

The CFA requires a lot of self-study and self-discipline. You need a high level of commitment. There are no deadlines for assignments or anything of that sort to keep you on track. You have to make sure you set those for yourself. The interaction with other students and the motivation you get from one another is so valuable in the MBA. That is not there when you do a CFA.



Nerina Visser

of MBAs, the Association to Advance Collegiate Schools of Business and the European Quality Improvement System accreditations. Each of these bodies has its own standards. Very few business schools in the world are triple-accredited. International accreditation is especially important if you intend to embark on an international career.

THE MBA VERSUS OTHER QUALIFICATIONS

To compare the MBA with other professional qualifications, the progression and career goals of an individual must be taken into consideration, says Woodburn. Many CEOs, for example, were CFOs first. They did their CAs to help them advance in their financial careers, not necessarily to help them become CEOs. Ultimately, they were then well positioned to become a CEO, he says.

A career is a work in progress, so there is no right or wrong answer, according to Woodburn.

Ayo says: “The CFA is very specifically focused on the financial sector, whereas the MBA is more of a broad-based qualification which gives an overview of business as a whole. It gives you a look at finance, accounting, marketing and so on.” ■

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How to finance your MBA

BY LAMEEZ OMARJEE



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Executive education, such as an MBA degree, is usually time-consuming and expensive. But this should not stop one from furthering one's studies, says Brigitte Roediger, an MBA graduate from the University of Stellenbosch Business School (USB).

"Where there's a will, there's a way," she asserts.

Financing options range from self-funding, taking out student loans, applying for scholarships and even sponsorships from employers and companies.

Investment decisions should be based on the timeframe of one's studies, says Ronald King, head of technical support for PSG Wealth. Financing one year of study can differ vastly from trying to fund

10 years of study, he tells *Finweek*.

With long-term studies, it is best to invest in shares, he says. People opting to study for one or two years, however, should consider investing in a money-market account.



Ronald King

King advises prospective students to borrow money only for capital development. "Do not borrow money for buying groceries," he says.

Studying is a capital investment, and often graduates are remunerated for their qualifications and can use their income to pay off their loans, says King.

FINDING COMPANY SPONSORSHIP

When she wanted to enrol for her MBA, Roediger says her former employer was not willing to sponsor her education.

"They felt it was too expensive and I was 'too junior' for them to invest in me," says Roediger, who ended up financing her studies with a student loan.

Globally, the trend is that employers are less eager to finance employees' MBA

“THE KEY THING IN GETTING YOUR EMPLOYER TO PAY IS TO ENSURE THEY SEE THE VALUE IN THE QUALIFICATION.”

studies, says Marietjie Theron-Wepener, marketing and stakeholder relations director at USB.

Citing a report from *The Economist*, Theron-Wepener says the number of MBA students sponsored by employers dropped to 39% in 2015 from 69% in 2005.

According to King, employers' reluctance stems from their belief that investing so much time and money in one individual is not beneficial to their business. This is because many employees find opportunities at other firms after receiving their MBAs.

However, if prospective MBA students were willing to sign a lock-in agreement, it would be much easier to get their employers to finance their education, says King. This includes agreeing to focus their studies on a field relevant to the sponsor companies, and/or to gain skills that could be beneficial to the employers.

“The future is for people with specialist skills,” he says, adding that companies want employees who stand out from the crowd.

Pat Fletcher, executive financial planner at Consolidated Financial Planning agrees.

“The key thing for your employer is to ensure they see the value in the qualification,” she says.

Kofi Simpson, an executive head hunter at recruitment company Aperture Group, says his former employers asked him to leave when he enrolled for an MBA at the University of Johannesburg.

“What I was planning on studying wasn't going to add value to the management of the company,” he says.

After speaking to fellow MBA graduates around the world, Roediger observed that in SA, companies don't

know or appreciate the value MBA graduates offer.

“I think companies see it as a cost instead of an investment,” she says.

Roediger says if companies that have employed MBA graduates were to share the value they offer, more employers would be encouraged to sponsor employees' executive education.

After initially agreeing to pay for her MBA, Edith Kennedy's former employers defaulted on the payments. They made the initial deposit and paid the first instalment but then stopped, forcing her to fund her studies herself.

“My company wanted me to stop doing my MBA. I cashed in my pension to cover the costs for the first year and in the second year took out a personal loan with my bank.”

During her third year Kennedy took out a second loan. She says scraping together the money “made me stronger and more determined to finish”.

When she had the degree, she had to start paying off loans and rebuild her pension. It was a “learning curve”, Kennedy says.

Kennedy advises prospective students to talk to MBA graduates to understand

what they went through and how the programme changed their business acumen and leadership ability.

They should also speak to their department head to find out about possible career development within the division and company, and base career goals around this to campaign for funding, she says.

ACCESS TO FINANCE LIES IN ACCESS TO INFORMATION

Access to finance influences a person's decision to embark on further learning, which institution they choose and the length of their degree.

If employers don't finance prospective students, learning institutions can advise them on scholarships or alternative financing options, says Theron-Wepener.

And, according to Simpson, a number of scholarships are available from educational institutions overseas. He is funding his studies with a student loan, but would have preferred to study abroad or get a scholarship.

Roediger had to complete her MBA part-time because she had to stand surety for herself. Simpson, too, had to extend his two-year degree to three years to secure funding for his dissertation – which he will complete in his third year.

There aren't enough funding platforms or “creative” repayment plans available to people, says Kennedy.

“It is also a case of knowing where to find the right funding and what is available out there.”

Similarly, Simpson and Roediger say information on financing options is not freely available.

Prospective students are not always guided in finding alternative options to fund the high costs of an MBA, says Kennedy. For example, there are companies willing to fund the research element of an MBA if students do their research projects on business problems that affect those companies specifically.

There are also many funds overseas for underprivileged students, she says, but they don't always know where to start looking for them. ■

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How technology is changing executive education

BY JININE BOTHA

Your virtual reality device pings. You answer and your home office fills with interactive images of your classmates, executive students from around the globe. You listen to a lecture from a business leader in India, then your fellow students role-play business challenges with the likes of Richard Branson. All in a virtual classroom.

Academics believe this is what executive education at business schools could look like 20 years from now.

“Everything will happen in real time,” says Martin Butler, senior lecturer in Information Systems Management and Project Management at the University of Stellenbosch Business School (USB).

Technology has already changed how such programmes, like MBAs, are taught.

Butler says executive students now use online learning systems, which enable them to come to classrooms fully briefed on theoretical principles. This encourages interactive discussion

during sessions.

Textbooks are already almost obsolete as technology enables easy and cost-effective access to reading material.

Ready access to content, at any moment, means the expert/lecturer/facilitator is “no longer the guru in the room but rather the leader of debate [pushing students through arguments], and possibly creating a clearer understanding of concepts within the discipline”, says Linda Buckley, executive education director at Henley Business School.

According to a study conducted by PwC, the skills gap created by the digital economy is already forcing CEOs to change the way they hire people.

The survey showed that 64% of CEOs regard automation as a key to innovation.

“CEOs know they need to make a change and they are calling on HR to do the same. Their objective is to ensure they have the right diversity of talent to create innovation in the



Martin Butler

IS ONLINE EDUCATION AN OPTION?

Butler says online education could be an option, depending on the quality of the course.

An important component of adult learning, however, is peer collaboration and learning from one another, he says.

“This requires a skilled facilitator to manage the learning process and ensure maximum value. It is not for free. It is the facilitated peer learning and guidance in the learning journey that suffer most in free online education.”

Both Buckley and Butler encourage prospective students to ensure online courses are accredited with the appropriate authorities, and service providers are either registered as private education providers or are linked to public entities like universities.

digital world,” says Gerald Seegers, a PwC partner.

Seegers says most traditional tertiary institutions are changing to provide students with enough practical skills to compete in today’s digital economy.

“But I am not convinced that they are doing so rapidly enough.”

Diane Bell, director of academic affairs at USB, says using technology allows for increased access to reach the millions of managers in need of development across the African continent.

Some of the programmes at Henley Business School now incorporate a section on the digital economy.

The school also uses online student portals through which students obtain all their pertinent course information and upload assignments, forcing students to engage with social media, says Buckley.

The postgraduate diploma programmes at USB also feature a new module called Digital Quotient, in which specific focus is placed on transferring digital skills.

DIGITAL LITERACY VS DIGITAL DEPENDENCY

“The younger generation is seen as ‘digitally literate’ since they use their mobile extensively and continuously. But this is not digital literacy, it is digital dependency,” warns Butler.

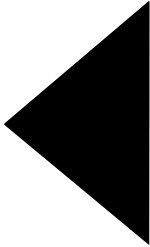
You have to teach the specific skills to compete in a digital economy, “not just use the technology”, says Butler.

According to Buckley, problem-solving and critical thinking as well as key management and leadership skills could be taught effectively through technology, because it evolves and becomes ever more real and intelligent.

“However, in 20 years’ time, I’d like to think we could still enjoy groups of people in a room learning from each other.”

In the end, it is not just your tech savvy that makes you a good executive. It is the way you network to ensure your business grows. ■

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“USING TECHNOLOGY IN THE LEARNING PROCESS IS NOT TEACHING SKILLS TO COMPETE IN THE DIGITAL ECONOMY. YOU HAVE TO TEACH THE SPECIFIC SKILLS, NOT JUST USE THE TECHNOLOGY.”

THE PROS AND CONS OF MOOCS

Buckley says feedback from institutions that have run massive open online courses, or MOOCs, indicates a low completion rate.

“This is probably because there is no cost incentive to finish the courses.”

Fall-out rates of about 99% are common, says Butler.

“Thus MOOCs’ biggest pro of zero cost actually becomes its biggest con – because when there is no payment, there is no commitment,” he says.

According to Butler, technology helps to create more tailored programmes, whereas MOOCs often follow the “batch processing or cookie-cutter process”.

However, MOOCs can be incorporated into programmes to develop the basics of the discipline or field, give students an equal advantage before the programme begins, or hone adult development when delegates are back in the workplace.

Bell says online education will never completely replace more traditional modes of learning.

Pros and cons of using technology in education, according to Bell, include:

PROS

- ▶ Flexibility of access anywhere, any time
- ▶ Unlimited reach – simultaneously
- ▶ Uniformity and consistency of training
- ▶ Cost reductions and cost-effectiveness
- ▶ Ability to log or track learning

POTENTIAL CONS

- ▶ Limits of current technology infrastructure
- ▶ Students need to “ earmark” time for learning online
- ▶ Providing appropriate support for students
- ▶ Developing relevant, well-designed and high-quality content
- ▶ Potential hostility towards using technology

From medical doctor to businessman

BY BUHLE NDWENI



Osborn
Mahanjana

While most of his peers at medical school had plans to open their own practices one day, prospective doctor Osborn Mahanjana had a yearning to join the corporate world and to succeed in it.

But as a matter of principle, and because he did not want to be seen as a failure, he decided to complete his bachelor of medicine and bachelor of surgery (MBBCh), which he did in 2000.

Following the completion of his internship and community service, he worked as a medical officer in the UK, and this further motivated him to get an MBA.

And in 2005, while working for Hannover Life Reassurance Africa Limited in South Africa, he finally enrolled for a part-time MBA at Wits Business School. Halfway through his course, in 2006, he was employed by the multinational pharmaceutical company Eli Lilly and Company in its South African operation. And when he completed his MBA in 2008, he was promoted to an executive position as director of pricing, reimbursement and access, also heading corporate affairs at the company.

Now, almost seven years after he got his MBA, he is CEO of Sechaba Medical Solutions, a health benefit organisation that administers one of SA's largest, open medical aid schemes, Sizwe Medical Fund. Sechaba also manages the scheme to ensure Sizwe members get the best value for their money.

This was a journey all made possible by his executive education – in the form of an MBA, says Mahanjana.

With no commercial background, everything

Mahanjana learnt during his MBA programme was new to him, he says. And, though he had been taught how to think critically and how to analyse situations as a medical doctor, Mahanjana says he did not know how to run and manage a corporate when he moved into the business world.

“When I was transitioning, I needed that help. A business executive qualification like an MBA helped a lot. For example, how to understand the basics of business, budgeting, how to run a business, how to set up a strategy, how to work within the senior leadership, leadership on its own, management,” he says.

The executive role at Eli Lilly, his interest in health care and its market failure prompted him to pursue a master's degree in health economics, policy and administration, which he studied part-time at the London School of Economics and Political Science.

Before joining Sechaba in June, he spent over a year as CEO of the Industry Association for Responsible Alcohol Use (ARA).

Now, at Sechaba, Mahanjana says he gets the benefit of drawing knowledge from both his MBA and the health economics degree. As a health administrator, Sechaba is involved in health-care financing, which plays a big part in the health economy.

What advice does he have for people seeking to advance their careers through executive education?

“I would advise someone coming from a specialised field, and someone who is interested in leadership and general management, to consider an executive education. It challenges the way you have been taught to think. It teaches you how to appraise a situation critically, to think long-term and have a vision, to be able to deal with competing challenges and build organisations,” says Mahanjana.

His career ambitions are to serve on the boards of a number of JSE-listed, health-care service companies or to run a multinational company. ■

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ANGLO AMERICAN PLATINUM



Costs will only rise

THIS STOCK IS trading at 10-year lows and in truth the ideal time to sell was about eight years ago, just before the financial crisis. (I have given two sell signals in the past four years.)

But a lot of people are telling me that, since the stock surely can't drop any lower, it must be time to buy.

My response to this is no. Even if I *did* hold Anglo right now, I would be a seller, and here's why.

First, the company's costs are only going to increase. Even when it finally manages to get rid of its very expensive

mines, cost increases – namely for labour and power – will be ahead of inflation.

Secondly, the platinum price remains weak and would need to make a significant recovery for Anglo to reach breakeven. I can't see platinum moving in the company's favour in the next couple of years. The only silver lining for the stock is a potentially weaker rand but there are better ways to profit from a weak currency.

The only reason to hold this miner is hope and that's seldom a rewarding investment strategy. ■

Simon Brown Last trade ideas

BUY STXIND

SELL NGPLT

SELL Renergen

SELL Clover

RICHEMONT



Beware that Swiss franc

AS COCO CHANEL once said: "Luxury must be comfortable, otherwise it is not luxury." Holding a share like Richemont is certainly a luxury. But the thought of selling it, after years of substantial upside, is downright uncomfortable.

Despite a slowdown in the global economy, the appetite for luxury goods and products – which include designer apparel, handbags, fine jewellery, cosmetics and fragrances – remains strong globally. Sales of personal luxury goods increased by 3% in 2014 to €224bn (R3.06tr) in 2014, and is expected to grow by another 2% to 4% this year in constant currency, consultancy Bain & Co said in May.

Richemont, with luxury brands including Cartier and Montblanc, has shown strong growth over the past five years, with revenue up 51% since 2011 to €10bn in the year to end-March. The decision by the Swiss National Bank in January 2015 to unpeg the Swiss franc from the euro, which led to a dramatic appreciation in the Swiss

currency against the euro, resulted in a loss of €696m for the group, or a 35% drop in reported net profit.

The exchange rate impact in the longer term is less certain. However, given the extent of the group's activities in Switzerland – where it has more than 8 700 employees in manufacturing, distribution and head office functions – a stronger franc against the euro would inevitably mean that costs, measured in euros, will rise.

Richemont is already looking shaky, and downside below 9 760c/share will trigger a sell signal – a key support trendline would be breached and this could see Richemont depreciate to 9 420c/share. Failure to recover above 9 980c/share would be a bearish sign. Sell further below 9 420c/share as the next support level would be at 9 080c/share. Alternatively, Richemont would have to trade above 10 500c/share to escape its current bear trend. ■

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Moxima Gama Last trade ideas

SELL Datatec

BUY FirstRand

BUY MTN Group

BUY Brait SE

A good option for dividend seekers

BY JANA MARAIS

MARRIOTT DIVIDEND GROWTH FUND

The objective of this fund is to invest in listed companies that currently pay dividends and possess the potential for consistent and sustainable dividend growth in the future. It aims to hold at least 75% of its portfolio in domestic equities

that, in addition to the dividend requirement, have a three-year track record and a market capitalisation that exceeds R2bn. An investment time frame of five years or longer is recommended for all equity investments.

FUND INFORMATION

Minimum investment amount:	R500 lump sum, R300 per month
Total Expense Ratio (TER):	1.14%
Fund size:	R3.5bn (as at 31 March)
Contact information:	031 765 0700 and info@marriott.co.za

PERFORMANCE OF DIVIDEND GROWTH FUND VERSUS SECTOR AVERAGE (AS AT 30 JUNE)

	1 year	3 years	5 years	7 years	10 years
Marriott Dividend Growth Fund	16.39%	19.56%	19.28%	19.92%	17.31%
Sector average	5.83%	16.26%	15.45%	11.11%	15.04%

Source: Marriott Asset Management

TOP 10 HOLDINGS

(as at 31 March)

1.	Spar Group	9.4%
2.	British American Tobacco	9.3%
3.	Bidvest Group	8.8%
4.	Standard Bank Group	8.4%
5.	Liberty Holdings	7.9%
6.	AVI	7.8%
7.	MMI	7.5%
8.	Life Healthcare	7.5%
9.	Nedbank Group	5.9%
10.	Vodacom Group	5.9%

TOTAL 78.4%

Investment team insights

It's no easy task to find local stocks that meet the fund's criteria – an acceptable dividend yield with the ability to produce predictable dividend growth – given a difficult economic climate and demanding stock market valuations, says Duggan Matthews, investment professional at Marriott Asset Management.

In light of the above, the fund invested about 18% of its market value offshore in the June 2015 quarter, after exiting its holdings in Vodacom Group and Tiger Brands. Vodacom is operating in a saturated voice market and is facing constraints in growing its data business, while Tiger Brands is facing execution issues in its expansion into Africa – issues that affect the predictability of its future dividend flow, says Matthews.

Because of the limited options available locally, the fund opted to invest in seven offshore companies, building holdings in well-known, high-quality companies such as Nestlé, Unilever, Colgate, Diageo, Johnson & Johnson, Vodafone and Verizon.

"With this fund, we focus on the predictability of future dividends. Dividend growth drives capital growth over the longer term – thus the more predictable the dividend growth, the more predictable the capital growth," says Duggan.

WHY FINWEEK WOULD CONSIDER ADDING IT

In the current market environment, managing equity investments is no easy task, and looking at a company's dividend history (and, in the case of the Marriott fund, its future outlook), is probably one of the best ways to separate the wheat from the chaff. A company like Johnson & Johnson, for example, has a track record of paying over 50 consecutive dividend increases – who wouldn't want that in a portfolio? ■

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How to spot dodgy numbers in company results

BY SIMON BROWN

One of the hardest parts of investing is spotting scams. Some are easier to spot than others, with the JSE naturally doing everything it can to prevent them. For the most part, it does a great job but that doesn't mean we shouldn't be on our toes. As always, the final decision to buy a share rests with us and we need to do all the required homework before making a purchase.

One thing I always do before a company releases another set of results, is to access the previously released results and annual reports from the past few years. I then read the chairperson's statement (annual report). I also pay close attention to the future prospects section of the results to get a feel for how in touch management is with reality. If the team keeps predicting a great year ahead, but the company continues delivering horrid results, they're either out of touch or simply trying to pull a fast one on investors.

I also don't always just accept the numbers that are presented by the company. As I have written before, when looking at headline earnings per share, or HEPS, the number I want is just that. Or – even better – diluted HEPS.

All the other variants of HEPS such as core, normalised and enhanced (admittedly I only ever saw that once) I ignore. This is for one simple reason: they are not International Financial Reporting Standard (IFRS) numbers, so in truth we have no idea what they actually represent. Sure, many companies will explain their version of HEPS and why they use it, but as it is not IFRS-compliant, I worry about consistency. In such a case I usually just calculate the HEPS myself.

Of course it is also important to check what the auditors have to say; if they're not 100% behind the numbers being



DON'T ALWAYS JUST
ACCEPT
THE NUMBERS THAT
ARE PRESENTED BY THE
COMPANY.

released, then I'm not even interested in reading the results. Only final year-end results need to be audited and hence carry an audit opinion. This is another thing I check.

Out-and-out fraud is harder to spot, but there is a way to do it. I was at a presentation by Patrick Barker of Cannon Asset Managers last month and he spoke about Benford's law. I had never heard of it before and it certainly seems an awesome tool.

Benford's law states that in a set of numbers, the frequency of the first digit of every number is not random at all. So in other words, we'll see more numbers starting with a 1 and far fewer starting

with a 9. When I thought about it for a bit, I realised it makes a lot of sense.

What Benford's Law says is that 30% of all numbers should start with a 1, almost 20% should start with a 2, 12% starting with a 3 and just under 10% start with a 4. Only around 5% of numbers should start with a 7, 8 or 9.

So if we pull apart the results and check the distribution of the numbers, it should largely match this theory. If they're way out of kilter, something is wrong. Now this is not an exact science and there will be slight variances, but as long as the numbers are in the ballpark, I am happy.

So what should you do when you stumble across a set of results that seems suspect to you? Well, move on. Sure, you can alert the authorities but the bigger issue for you personally is that you should not invest in a company whose numbers you do not trust. We have enough honest, quality companies on the JSE, so why take risks on one that may be less than honest? ■

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Gallo Images/istock



CATCH
MOXIMA GAMA
 ON FINWEEK:
 MONEY MATTERS
ON CNBC AFRICA
 EVERY FRIDAY
 AT 1PM.

Omnia Holdings – is it a valid breakout?

BY MOXIMA GAMA

A year ago I had a bearish view on Omnia Holdings (*Meeting strong resistance*, published in the 10 July 2014 issue). It was overextended and needed to correct from the third phase of its primary bull trend. That it did – it troughed at 15 100c/share.

Omnia is a holding company for a group of businesses that produce and supply fertilizer to the agricultural industry, explosives to the mining industry and industrial chemical products. Its operations are located in South Africa, Ghana, Kenya, Mauritius, Tanzania, Zimbabwe and Zambia.

It released annual results on 23 June. They triggered a spike in the share price, potentially indicating a breakout out of its medium-term bear trend.

Omnia reported a 4% increase in

revenue to R16.8bn for the year to end-March, an all-time high driven mainly by a 9% growth in revenue in its agriculture division. Headline earnings per share were up 3% to 1 465c. The company declared a final dividend of 300c/share to be paid on 20 July, bringing the total dividend for the year to 490c/share, an increase of 3%.

Its mining and chemical divisions had a tougher financial year as volumes and margins came under pressure, mines closed down and competitive pricing affected both businesses. Revenue in the mining sector contracted by 2% to R5.4bn, while the chemical business reported revenue growth of a mere 2% to R4.2bn.

Looking ahead, Omnia is well positioned in Africa, and has strong commercial interests in a number of

markets on the continent. Its mining business may be struggling at present, but once the mining sector on the continent pulls out of its dip, Omnia will benefit. In the meantime, food is a necessary commodity, and Africa is certainly the place with a lot of fertile land available to potentially grow crops for the entire world, and not just the African continent.

POSSIBLE SCENARIO: I believe Omnia has corrected from the third and final phase of its major bull trend, and is now set to embark on a new one. It overcame the resistance trendline of its medium-term bear trend in the first week of July. However, it's imperative for the relative strength index (RSI) to follow suit. Otherwise, the breakout on the price chart may prove fruitless. A positive breakout, confirmed above 17 700c/share (a buying level), together with a bullish RSI, should see Omnia recover all its losses to the 24 700c/share all-time high and commence a new bull trend to new highs.

ALTERNATIVE SCENARIO: Omnia will most likely return to its previous bear trend, if the RSI fails to penetrate the red bold trendline. Support at 13 995c/share could then be breached. ■

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52-week range:	R151.01 - R247
Price/earnings ratio:	11.89
1-year total return:	-22.2%
Market capitalisation:	R11.9bn
Earnings per share:	R14.65
Dividend yield:	2.8%
Average volume over 30 days:	76 759

SOURCE: Bloomberg.com

Simon's stock tips

BY SIMON BROWN

HARD TIMES FOR WBHO

Another update from a construction firm, this time WBHO, shows yet again how tough things are, even in the Australian construction market. WBHO is probably best placed of the local construction companies and is usually

the preferred choice for those venturing into construction investments. But this update shows that even the best are having a tough time, with impairments and downsizing the theme even within the Australian business.

BRIMSTONE ON FIRE

Brimstone issued a short trading update saying its HEPS would be negative (about 100% lower), but this is really about the valuations of the underlying companies it holds stakes in. Many of them are listed and the valuations will tie directly to the current share price. The unlisted ones are harder to value. That said, Brimstone is a long-term holder of these assets, so really short-term fluctuations in value are not

important. What is important are the underlying businesses. Looking at these, it has a great stable of assets. Of note is its 17.6% stake in Oceana, which will be doing a rights issue to fund the R1.2bn it needs for the Daybrook Fisheries purchase. Brimstone has committed to the rights issue and should be able to fund it without any problem. This is a great holding company that is often overlooked by the market.

CHINESE RISK

As I write this column Greece has voted 'no', but the new headlines are also about the Chinese stock market, which has lost about 30% since the highs of mid-June. This market is not of significant importance globally because of the closed nature of it. Few people and institutions outside of China have any dealings with it. It is also worth remembering that while there has been a marked sell-off in the past month, the index is still up some 100% in the past year. That, of course, doesn't mean it won't lead to issues within China, especially if individuals are potentially losing all their money or savings. Certainly there are risks, but, with a centrally managed economy, the Chinese government has a lot more ability to manage the process. So I can't see the sell-off having any lasting impact on global markets. We're already expecting China to see slower growth although the level will still be high considering the size of the economy. The risk is the attempt to turn Chinese people into consumers and the sell-off could hinder that plan for a while.

MOOIPLAATS DEAL FLOPS

Bad news for Coal of Africa as the deal to sell Mooiplaats for a much-needed R250m has collapsed. The company continues to hold discussions with various parties around an ultimate sale. We warned against this stock when it was trading up at 150c. Now below 100c, it is still a speculative punt best left alone.



Gallo Images/Stock

THE TENCENT STORY

Naspers* issued a set of results that came in towards the top end of expectations, driven as usual by Tencent. The Naspers share price continues to track Tencent. The rough week in China followed through to Tencent and hence Naspers. But Naspers is a whole lot more. The question is, however, what will make

investors value Naspers at its full valuation? In short, I suspect this will not happen anytime soon. As much as investors love the Tencent story, they also seem fearful of it. They are, in a sense, not pricing in the other assets but instead are using those assets as a sort of buffer in case anything goes wrong with Tencent.

I personally think Tencent is solid, and while expensive, it is not out of kilter with other online services listed around the world. ■

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**Finweek is a publication of Media24, which is a subsidiary of Naspers.*

Big things in the works for Sasol

BY RHYNHARDT ROODT,

Portfolio Manager at Investec Asset Management

In the wake of the dramatic drop in the oil price since the end of last year, Sasol's allure has diminished somewhat for many potential investors. However, we think the current price of around R400 per share offers an attractive entry point – even in the absence of a significant uptick in the oil price.

At the heart of Sasol's business is the technological advantage it has to convert coal – and more recently gas – to liquids in its synthetic fuels (synfuels) operations. More recently, this has enabled the company to take advantage of exciting opportunities, such as gas fields in Mozambique, allowing it to participate in the energy revolution taking place around the East African coast.

Sasol has also successfully commissioned the gas-to-liquids (GTL) technology in Qatar and Nigeria, and is now positioning itself to take advantage of the emergence of shale gas as a potential game changer in the global energy landscape.

While synfuels are still at the core of Sasol's business, the company has also shown its ability to transform itself from a South African coal-to-liquids business into a global energy and chemicals company. In terms of operations, Sasol is moving away from the old cluster-based model into a more structured business that has a South African and international energy business at its core, with value-added products produced in its chemical division.

The last two years in particular have seen a dramatic new focus and the dawn of a new era for the company. It has continued to broaden its scope by moving up the value chain, by producing value-added products from oil, to the extent



that it has been reclassified as a chemicals company on the JSE.

The company also seems to be adopting a firmer approach towards cost control, through the launch of Project Phoenix. This aims to streamline the operating and cost structures of the business, as well as cementing a new growth strategy for the company. Phoenix involves a significant drive to lower costs and improve margins; the company is aiming to have annual cost savings of at least R4bn per year by 2016, with R1.5bn already expected in the 2015 financial year.

There has been some concern from investors about Sasol overextending itself, following the most recent investment in the US for the development of an ethane cracker. We recently visited the Louisiana site of the project and feel comfortable that Sasol will be able to successfully complete this significant project. The cracker will be built alongside an existing cracker, although at about three times its size, so this is not a greenfield investment.

Sasol has the requisite skills and a robust project management team in place, and we believe this was the right investment decision for the company to make.

Given the drop in the price of Brent crude from over \$100 to its current levels of below \$60 per barrel, the company will definitely see lower earnings in the current financial year (especially compared to the record earnings of 2014). However, through improvements in the cost base and significant volume additions coming from the growth projects, there is upside from current depressed earnings expectations, despite a low oil price.

From current levels we think there is medium- to longer-term upside potential in the oil price, especially when considering the industry's current under-investment to replace depleting oilfields. Relative to most other commodities, oil has some of the best fundamentals in our opinion. In addition, Sasol is one of the purest rand hedges in our market. ■

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Remember the word 'save'?

BY SCHALK LOUW
PORTFOLIO MANAGER AT PSG WEALTH

We have just passed everyone's favourite time of the month – month-end. Perhaps you were looking forward to an expected mid-year increase and shamelessly went ahead and spent your money on all those desirable items before payday. It's sobering when the day arrives and your expected increase is not there. Especially in a time when necessities such as electricity and fuel prices are sky-rocketing. Suddenly you find yourself staring at a negative credit card balance, and the month has barely begun.

Don't be too hard on yourself for your spending habits. The entire South African economy has been heading down that same road for quite some time.

With a first-quarter GDP growth rate of only 2.1% year-on-year, the rand weakening by 13% over the same period (not including its further weakening recently) and the Reserve Bank just announcing that the chances of an interest rate hike are "very good", the rest of the country isn't looking much better.

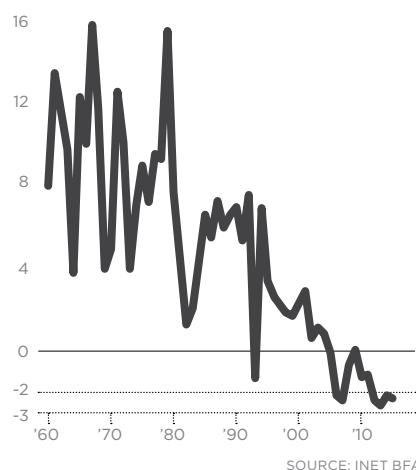
With incomes falling short of increases everywhere else, it is no wonder that SA's relatively lower-income groups are starting to demand much higher wage increases – figures which often exceed the combined inflation and productivity increases.

It is perfectly normal to get used to – and to want to get actively involved in – an economic growth process. Your degree of commitment, enthusiasm and drive concerning your own economic involvement is, after all, what determines your own personal financial freedom.

What few realise, however, is that economic growth can take place only through either "savings" or "loans". You need capital to create wealth – the old saying that "it takes money to

make money" rings true. This means growth can be realised only if the net savings effect yields more money, or if the net financing effect becomes more favourable (moving financing to a lower rate facility).

PERSONAL SAVINGS AS A PERCENTAGE OF PERSONAL INCOME



SOURCE: INET BFA

With July dubbed National Savings Month in SA, it is only appropriate that we take a look at how well we fared with saving in the past. Since the early 1980s, net personal savings as a percentage of personal disposable income has dropped from 11.3% to -2.3% (at end of 2014). According to all possible benchmarks, this figure is unacceptably low. The period between 1995 and 2000 saw personal disposable income rise by 69%, yet personal savings dropped from R6.2bn to a mere R2.9bn. With higher prices and the looming possibility of higher interest rates, it would seem the ability to save is now lower than ever before.

Figures clearly show that South Africans are struggling to save money. Until you examine bad spending habits and become willing to change them, you can forget about accumulating significant wealth and securing financial freedom.

HERE ARE SOME POSSIBLE PRACTICAL SOLUTIONS:

■ First, get those bank statements together and analyse your spending habits. Are you a squanderer? Do you remember where all those ATM withdrawals went? Make a point of cutting out the "fat" – and I am not referring to your diet.

■ Next, commit yourself to a plan that will force you to save. Set up a monthly debit order through which you can contribute to your savings.

■ Thirdly, find the best savings framework for yourself. Make use of a tax-free investment, a unit trust investment or a five-year term policy investment. Tax-free investments and unit trusts are fairly flexible when it comes to withdrawals, and that's beneficial if you need the comfort of knowing you can access your money when you need to. But if you know you do not have the discipline to save and could easily succumb to the temptation of capital withdrawals, a fixed-term investment may be a better bet.

■ Ensure your savings are properly managed to transform your money into an investment with above-average returns. Don't simply leave your savings in the money market indefinitely, where you will only earn money-market rates (currently about 5.5%). This is particularly true if your risk profile allows you to invest in higher potential income investments. Rather fix your investments for intervals of between 30 and 90 days to get 6% to 7% growth while still retaining some level of liquidity.

■ Finally, always ensure that every rand you save is invested in the best way possible – one that offers the fastest growth, as long as the vehicle or method falls within the limits of your personal risk profile. ■

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Unit trusts: 'An exceptionally good investment idea'

BY JUSTINE OLIVIER

Your goal should be to save at least 10% of your pre-tax earnings, says Old Mutual. In a country known for its poor savings culture, this is easier said than done. While your finances are affected by many things like the economy, interest rates, an annual increase in your salary (or lack thereof) or unforeseen circumstances, the sooner you begin to save, the better your financial situation will be.

Says Standard Bank: "For the man in the street, or the seasoned investor, unit trusts offer a simple and effective way of saving money – they are also the perfect way to build a balanced and diversified investment portfolio."

Phillip Kassel, executive financial adviser at Liberty, agrees, saying that investing in unit trusts is an exceptionally good idea, particularly if your time horizon is fairly short and if you do not have a substantial amount to invest.

"It affords you the opportunity of investing in a number of top market-capitalised publicly listed companies on the local stock exchange, all for the minimum buy-in of R50 a month – some unit trusts have a higher minimum buy-in. This allows the investor a chance to invest in a diverse range of large companies which, as an individual investor, they might not have been able to afford," he explains.

One of the great things about unit trusts is the diversity of investment choice. According to PSG, as of March 2015, there were more than 1 200 local unit trust funds available to invest in, and more than 700 foreign unit trust funds. This means you'll undoubtedly find something to suit your unique investment profile.

Anet Ahern, CEO of PSG Asset



Management, says: "Unit trusts can be beneficial for both retirement and discretionary savings [or shorter-term savings you can access before retirement] as they are a convenient way to invest and grow your savings."

When asked what the best unit trusts are to invest in and which to avoid, Allan Gray's head of strategic markets, Thandi Ngwane, says that selecting a unit trust can be every bit as daunting as choosing between the companies listed on the JSE.

"You need to take great care that the profile of the unit trust you select meets your specific needs. If you don't have the time, expertise or confidence to do this, you may be better off seeking independent financial advice," she says.

"A point of departure when choosing a fund is broadly to divide the universe of local unit trusts into 'solution funds' and 'building blocks'."

She says solution funds offer investors exposure to a variety of assets normally including equities, bonds, cash and property – since you invest in a single fund, you don't have to worry about

WHY INVEST IN UNIT TRUSTS?

Old Mutual explains the following features and benefits of investing in unit trusts:

- Unit trusts offer you the flexibility to tailor a portfolio to suit your specific needs and time horizon.
- You can buy them direct or through a financial adviser.
- You can access the stock exchange without needing knowledge of, or experience in, investing in equities.
- Unit trusts diversify to invest across different market sectors and economies which greatly reduces your investment risk.
- Your money is easily accessible – especially in times of emergency.
- They are tax efficient, providing tax exemptions on interest income, capital gains tax exemptions.
- You can buy, sell or switch units in your online portfolio.



WHAT TO CONSIDER

If you're thinking about investing in unit trusts, Investec Asset Management advises to keep the following in mind:

- **Your investment objectives:** Why are you investing? Whether it is for retirement income, a bond or a holiday home will determine which funds are suitable for you.
- **Your time horizon:** Whether you need your capital in six years or six months' time, it is pivotal to choose a fund that matches your time horizon.
- **Protection from inflation:** To protect your capital from being eroded by the cost of living, you need to choose a fund that will produce returns well in excess of inflation over the long term.
- **Market timing:** As the average investor may find it difficult to time the market, you may want to consider phasing in your investment over a few months.

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FOR THE MAN IN THE STREET, OR THE SEASONED INVESTOR, UNIT TRUSTS OFFER A

SIMPLE

AND EFFECTIVE WAY OF SAVING MONEY.

how to divide your exposure to different asset classes – the fund manager does it for you.

“It’s well known that intelligent diversification between different asset classes can have a significant impact on an investor’s risk/return outcome. But getting the balance right on an ongoing basis is extremely difficult. Cash may be king today, but equities or bonds could be far better investments tomorrow,” she says.

So, how do you get started? Essentially, a unit trust is run by a fund manager. While the manager will demand a fee for his service, this fee will usually depend on the management company used or the unit trust that is selected. Note that there are often upfront fees, ongoing fees over the lifetime of the investment vehicle and sometimes even a performance fee, based on how well the fund has

performed. This all depends on the management company. It is advisable to do your research before investing – insist that all fees are disclosed upfront before purchasing any investment vehicle.

However, by using a fund manager, you’ll find the right unit trust that will meet your unique financial needs and help you to achieve your desired outcomes. ■

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TYPE OF UNIT TRUST FUNDS

Investec Asset Management explains the six different types:

- **Equity funds:** Grow capital by investing in the broader stock market or in specific equity sectors such as resources, financial and industrial funds.
- **Fixed interest, bond funds:** Invest in a variety of interest-bearing assets such as bonds and fixed deposits.
- **Income funds:** Invest in securities that offer dividends or interest payments.
- **Money-market funds:** Also known as cash funds, these allow investors to ‘park’ their money in the short term. These are highly liquid investments that offer capital preservation with minimum volatility.
- **Asset allocation funds:** Also known as balanced or managed funds, a fund manager invests in a spread of assets like equities, bonds and cash, depending on market conditions.
- **Global funds:** These offer exposure to international markets with a host of international rand-based and foreign-denominated funds to choose from.

Overcoming debt one month at a time

BY SHANDUKANI MULAUDZI



Kristia van Heerden is a former *Finweek* journalist and digital editor. Although some of the best stories she wrote for us were on saving money and investing, she wasn't always an expert in her own financial matters.

During her early twenties, she accumulated debt of more than R100 000 because of poor spending habits and a lack of education on credit and handling money.

HOW HER DEBT ACCUMULATED

At 22, Van Heerden was a student doing a few odd jobs to supplement her pocket money. One day she received a Truworths account card with a limit of R3 000 worth of credit in the mail. Van Heerden had not applied for this card.

"I get this card, I have no disposable income and I'm a girl, so I like clothes, and so I'm like 'Okay, sweet!'. I go on a spending spree and max it out in no time," she recalls.

Within a few weeks, she received a card from Woolworths with a R3 000 limit too. Again, she maxed it out.

And every month, when her pocket money was deposited into her account, the debit orders would go off and there would be no money left.

This continued for about two years until she graduated and landed a job at a magazine. There she earned about R10 500 cost to company per month –

this was more money than she had ever handled and she was very happy.

Her credit spiralled out of control very quickly.

Her car was stolen, so she bought another one – adding a further R90 000 to her credit. Van Heerden also took out life policies and opened investment accounts – within eight months, however, she was retrenched. To help make ends meet, she applied for a credit card and was given approval for a R30 000 limit, even though she had no income.

She owes her credit woes to both her bad spending habits and terrible legislation. She soon landed a new job where she earned about R4 000 less. However, her standard of living did not change. She took out a R5 000 personal loan to attend a friend's wedding in Cape Town because she could not afford to go. In retrospect, Van Heerden says, she understands that she continued to spend badly because she thought it was okay. Her friends were living in the same way and they made her feel better about her situation.

HER 'AHA!' MOMENT

Although she knew she would have to do something about her credit, there was no sense of urgency – not until she met her now husband, Jian Reis.

When she told him how much debt she was in, he was furious. He did not understand how she had allowed her circumstances to become that dire. At

HOW VAN HEERDEN GOT OUT OF DEBT

The first step to paying off her debt was to pay off her clothing accounts.

She committed more than 50% of her salary each month to paying off her debt. Her lifestyle changed completely. She went from buying new clothes every month to buying no clothes at all. She could not even do her hair or go out for dinner every now and then. For about two years, she was in financial lockdown.

"It took such a long time, and emotionally it was just so exhausting because I wasn't used to it. I was working every month but I couldn't reward myself in any way," she says.

Once she started paying off and closing her accounts one at a time, she could see how much extra income she had. That was really rewarding.

"It was an awful process and I would not recommend it to anyone, but it made me realise just how easy it is to put money aside. If I can take half my salary to pay off debt, I can use half my salary and put it in a savings account," she says.

first, of course, she did not understand why he was so upset.

"I knew I had to get out of that debt but I really did not know how. I didn't have any frame of reference to know how to do it," she says.

Reis had to teach her as one would a toddler, explains Van Heerden. Someone else who knew about money also intervened and helped them map out a plan.

TIPS FOR DEALING WITH DEBT

VAN HEERDEN SHARES SOME POINTERS:

1. FIND SOMEONE YOU TRUST AND SPEAK TO THEM ABOUT YOUR DEBT. Do not keep it to yourself or feel embarrassed about it. You need to choose someone

you think might know a little bit more than you about handling money. If it weren't for Jian telling me that I was in trouble, I don't think I would have managed to get out of it. I would have carried on in debt.

2. YOU HAVE TO CUT BACK. YOUR LIFESTYLE CANNOT STAY THE SAME. It won't have to be like that forever and you will be more empowered after that. Do not isolate yourself and know that being in debt can happen to anybody.

'I HAD TO MAKE DEBT TO PAY DEBT'

JENNY MACDONALD (NOT HER REAL NAME), NOW IN HER MID-THIRTIES, SHARES HER DEBT STRUGGLES:

My personal debt crisis was at its height in 2009. It was by no margin a (mini) Greek tragedy but, within the confines of my own sanity, it was serious: I had to make debt to pay debt. I had accumulated more than R150 000 worth of debt on a monthly salary of about R12 000. Well, R155 000, to be precise. The thing with credit mania – living on money that isn't yours – is that you tend to lose track of the zeros. Call it denial, call it stupidity, but it's like a drug... First you get the one credit card and then the overdraft and then...

But I'm getting ahead of myself. When I started my first job I needed to get a cheque account. The bank (FNB) gave me the starter package of a cheque account, credit card and petrol card – which paid for trips between Johannesburg and Cape Town. How could I say no?

The credit card paid for pink drinks in the trendiest pubs and restaurants and, of course, weekends away, clothes and parties. I was living 'e good life'. I convinced myself I deserved the automatic increases in the credit limits, so I just bought more. And as the credit limits increased, so did the monthly instalments. I convinced myself I could manage.

One evening it felt as though the Lord of Credit had deemed to look upon me at an ATM in Randburg. I was withdrawing my last cash when a message popped up telling me I was eligible for an overdraft facility of R18 000. All I had to do to access it was select "Yes". With eyes popping like that of a cartoon character, I hit the button. But I wasn't a cartoon character, I was in debt and it was fast becoming anything but funny. I started struggling to cover my expenses.

One day a letter arrived from Direct Axis, saying I qualified for a personal loan of R30 000. I made calculations

and thought I could take it and pay off my debt. So I did. But I didn't really get around to paying off anything like a large amount.

I moved to Cape Town in 2008. By then I had accumulated three credit cards, a personal loan, an overdraft facility – all in arrears – and many sleepless nights. Reality hit home when creditors started calling almost daily.

Then a friend told me about debt counselling. After weighing up my options, I made an appointment at a debt counselling agency, DebtBusters, in Cape Town. They explained the process. I would have no access to credit until my debt was paid off in full. It sounded like a plan. I would do anything to avoid the daily calls about money.

I filled in the forms, had to go to court to make the debt review process official and paid a monthly administration fee to the Debt Counselling Agency. I didn't really get counselling, though. Apart from a regular newsletter on saving and responsible debt, I had to "rehabilitate" myself and learn to respect money.

It was difficult at first – almost like dieting, but with money. It was frustrating not seeing the numbers drop fast enough but over the years every instalment helped to chip away at the debt.

Sometimes Suze Orman and Oprah's wisdom helped but mostly it was a personal reprogramming that took about five years. I had to remind myself regularly of a very dear friend's advice: Live on what you have.

Today I know it is possible. There is always that possibility of a "relapse" and then I remind myself of how I felt the day I received my paid-up letter for all my accounts. No money in the world can top that sense of relief.

3. GO AND EDUCATE YOURSELF. Google is your friend. Get all the information you can on how to save, how to get out of debt. Read every single article that exists. Once you understand the principles, it actually becomes a lot easier.

4. IF YOU KNOW SOMEONE WHO IS IN

DEBT, DO NOT TRY TO FORCE THEM TO PAY IT BACK. It's not a process someone can get through without their consent. No one can change your mindset about debt unless you are willing to change and want them to help you. ■

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Remain wary of Aveng

BY LUCAS DE LANGE

The fact that the large Aveng Group is the weakest share on the JSE is understandable in view of the number of disasters that have struck it. The group's prospects also seem bleak. This share has dropped by just over 90% since reaching a high of 7 292c in September 2008, when everyone was excited about the billions flowing to construction companies for the FIFA Soccer World Cup.

The share's many problems are highlighted in its report for the six months to December, with particularly South Africa's diminishing growth rate, coupled with difficult trading conditions, causing problems for management.

In addition, the group – like all large construction companies – is negatively affected by the decline in mining activities, labour unrest and government's inability to boost infrastructure expenditure. And in Australia, which is becoming increasingly important for the group, the decline in mining operations and a drop in new gas projects have had a negative impact.

The group's income for the six months was 14% lower at R23.9bn, which yielded a measly R370m in operating profit. The operating profit margin was only 1.6%.

It is when a big listed company has become this cheap that value investors look at it with renewed interest. The result of management's attempts to improve the group's liquidity, to reduce its fixed costs and increase its operating efficiency should become evident as early as the half-year ended in June. Until there are signs that things are improving, this remains a share for fearless speculators.

As far as the strongest shares are concerned, the PSG stable still has the frontrunners. Capitec has climbed some 40% since the beginning of the year before this week's strong setback. The share has been oversold and has experienced a downward correction since

WEAKEST STOCKS

% BELOW 200-DAY EA

1. AVENG	-57.8
2. ARCELORMITTAL	-47.6
3. ASSORE	-43.8
4. KUMBA IRON ORE	-37.1
5. HARMONY	-35.5
6. ILLOVO	-32.9
7. LONMIN	-30.3
8. IMPLATS	-29.8
9. M&R HOLDINGS	-29.3
10. GRINDROD	-27.7
11. ALTRON-A	-26.2
12. EXXARO	-23.9
13. AMPLATS	-22.4
14. RB PLATINUM	-21.1
15. GOLD FIELDS	-18.3
16. PPC	-18
17. ANGLO AMERICAN	-17.8
18. PAN AFRICAN	-16.5
19. ANGLOGOLD	-16.5
20. SIBANYE	-15.9
21. NAMPAK	-15.6
22. WBHO	-14.6
23. CORONATION	-13.6
24. BHP BILLITON	-13.5

UNTIL THERE ARE SIGNS THAT THINGS ARE IMPROVING, THIS REMAINS A SHARE FOR FEARLESS SPECULATORS.

May. It is noteworthy that most analysts have a sell recommendation for Capitec.

The Mondi twins are also highly rated by investors, while the bull trend in Steinhoff has remained untouched.

Of the shares that have risen above their 200-day exponential average (EA), it is Tongaat, Bluetel and RCL Foods (in the Remgro stable) that look the most interesting. Tongaat and Bluetel have both given buy signals in their price/volume graphs, which often point to accumulation. (Price/volume trend graphs are calculated by multiplying the weekly volume with the percentage change in the price.) ■

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STRONGEST STOCKS

% ABOVE 200-DAY EA

1. PSG	108.2
2. CAPITEC	81
3. NASPERS-N	79.4
4. PIONEER FOODS	76.3
5. MONDI PLC	68.6
6. MONDI LTD	67.3
7. STEINHOFF	67.3
8. MPACT	64.1
9. KAP	57.1
10. DISCOVERY	53.3
11. RESILIENT	51.3
12. MR PRICE	50.6
13. RMI HOLDINGS	48.5
14. HYPROP	46.3
15. WOOLIES	45.5
16. NETCARE	43
17. FIRSTRAND	41.7
18. AVI	41.2
19. SPAR	40.4
20. INVESTEC PLC	39.9
21. ASPEN	39.6
22. CLICKS	38.5
23. INVESTEC LTD	38.1
24. MEDICLINIC	36.9
25. TELKOM	36.3
26. RMB HOLDINGS	32.9
27. SUPER GROUP	31.8
28. OLD MUTUAL	30.6
29. LEWIS	30.5
30. REMGRO	30.3
31. DISTELL	30.1
32. DATATEC	29.9
33. SABMILLER	28.3
34. CITY LODGE	28
35. SANLAM	27.5
36. CAPPROP	27.1
37. OCEANA	26.6
38. TFG	26.3
39. BATS	25.8

BREAKING THROUGH

% ABOVE 200-DAY EA

1. BARLOWORLD	5.6
2. RCL	5.4
3. TRUWORTHS	4.8
4. BLUETEL	4.7
5. TONGAAT	3.2
6. REUNERT	1.5

Lessons for success from **Silicon Valley**

BY LAMEEZ OMARJEE

Inspired by Silicon Valley entrepreneurs like Robert Noyce, the founder of Intel, Arun Kumar, a director general of the US department of commerce, says he had always dreamt of ending up in the Valley some day. “It was just a dream and I wasn’t sure how to get there,” he says. After he met a computer scientist, the two decided to go into a partnership, turning ideas into reality using Kumar’s business skills.

Kumar, an accomplished Silicon Valley entrepreneur, was the founding CEO and CFO of three technology ventures and has extensive experience in executive levels of business and holds an MBA from the Sloan School of Management at the Massachusetts Institute of Technology. He recently advised aspiring entrepreneurs on key lessons at a forum held at the Gordon Institute of Business Science (Gibs).

KEY LESSONS FROM THE VALLEY

As an entrepreneur, Kumar says his biggest challenge was convincing the market of what he was selling and then finding his first customer. He advises entrepreneurs to take risks and seize opportunities. Entrepreneurs should also consider the worst-case scenario.

Kumar says the Valley seduced him out of his comfort zone. “There is an audaciousness in Silicon Valley. A sense of risk and adventure is seductive.”

Entrepreneurs are given the chance to dream big because it is a place that “tolerates” failure, he says. Failure is not a badge of shame, but rather a badge of “tried”, indicating that the entrepreneur tried to do something no one else did. Trying adds value in that entrepreneurs learn and gain experience, he says. This contrasts with ideologies in other parts of the world where success is linked to stability.

Being open to opportunities is

important, says Kumar. One does not know where the opportunity will come from, or what will come from it, but be ready to serve the moment, he advises. Failure is inevitable – one in three businesses succeeds and those that fail must learn how to recover.

A rule of law should be implemented to protect entrepreneurs, says Kumar. In the US there is an insolvency regime, which means when businesses fail the loss is not felt in the entrepreneur’s personal capacity. “This prevents the business from losing value,” he says. Risk-taking should be encouraged like it is in the Valley, where “there is a whole ecosystem that supports risk-taking”.

Most entrepreneurship doesn’t involve as much innovation to the extent of that in Silicon Valley. Not all ideas are purely innovative; some are adapted, says Kumar. “To be successful you need to be differentiated and innovation allows you to differentiate.”

A spirit of entrepreneurship is not necessarily something you are born with, he adds. He states that it is something that can be learnt, but not taught, adding that entrepreneurs like Steve Jobs and Bill Gates, for example, didn’t have entrepreneurs as parents.

Partnerships are also valuable to entrepreneurs, says Kumar. There is a greater chance of success because each party brings different skills, attitudes and perspectives that complement each other in solving problems to the business. “Two heads are better than one.” However, he adds that partners should trust each other – many companies in Silicon Valley have failed due to teams being conflicted with “egos”. Mentorship is “extremely” valuable. Kumar advises entrepreneurs to seek advice from leaders because their feedback is valuable and they may be willing to invest in ideas. ■

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The headquarters of computer chip manufacturer Intel. Founded in 1968, Intel introduced the world’s first microprocessor in 1971.

Burger King rolls out into the townships

BY BUHLE NDWENI

Just over two years after Burger King first entered South Africa, the fast-food chain is expanding into the townships.

Grand Parade Investments (GPI), which owns the franchise locally, opened Soweto's first drive-through Burger King on 2 July at the Regina Mundi Sasol forecourt. It also opened a franchise at the Ormonde View Sasol garage near the FNB Stadium late in June. Soweto is expected to get its second Burger King at the famous Maponya Mall this month, and the group has plans to set up shop in the Pretoria township of Soshanguve, though this has not yet been confirmed by GPI.

Despite initial concerns that the fast-food hamburger market in SA was overtraded, Burger King has seen phenomenal growth since May 2013 and contributed R650m to the group's market capitalisation (currently R2.96bn), according to its 2014 annual results. Burger King SA CEO, Jaye Sinclair, says that as of June 2015, there were 45 operations across the Western Cape, Gauteng and KwaZulu-Natal. Another 15 restaurants are in various stages of construction and nearing completion.

At the start of this year, delays in various store approvals from municipalities caused the group to revise its expected roll-out of 100 stores by June to 60. It also decided to give 40% of its stores the drive-through format to increase revenue. Restaurants cost between R4m and R11m depending on type and format, Sinclair said.

"Our team is constantly evaluating diverse locations in areas of high population and will open stores that are financially viable for us," says Sinclair.

As GPI is currently in a closed period, the group declined to provide financial details on how Burger King is faring. In its

interim results for the six months to end-December, GPI said Burger King had 26 corporate stores, four Sasol franchise stores and four joint-venture stores with strategic partners (18 of the stores were opened during the period). Total revenue generated from the restaurants was R134.9m, an increase of 248% from the corresponding period the previous year.

Each store had an average monthly revenue of R1.1m, GPI said. The group says its gross margin increased due to the localisation of inputs (burger ingredients), with 95% of these locally sourced by the end of December 2014.

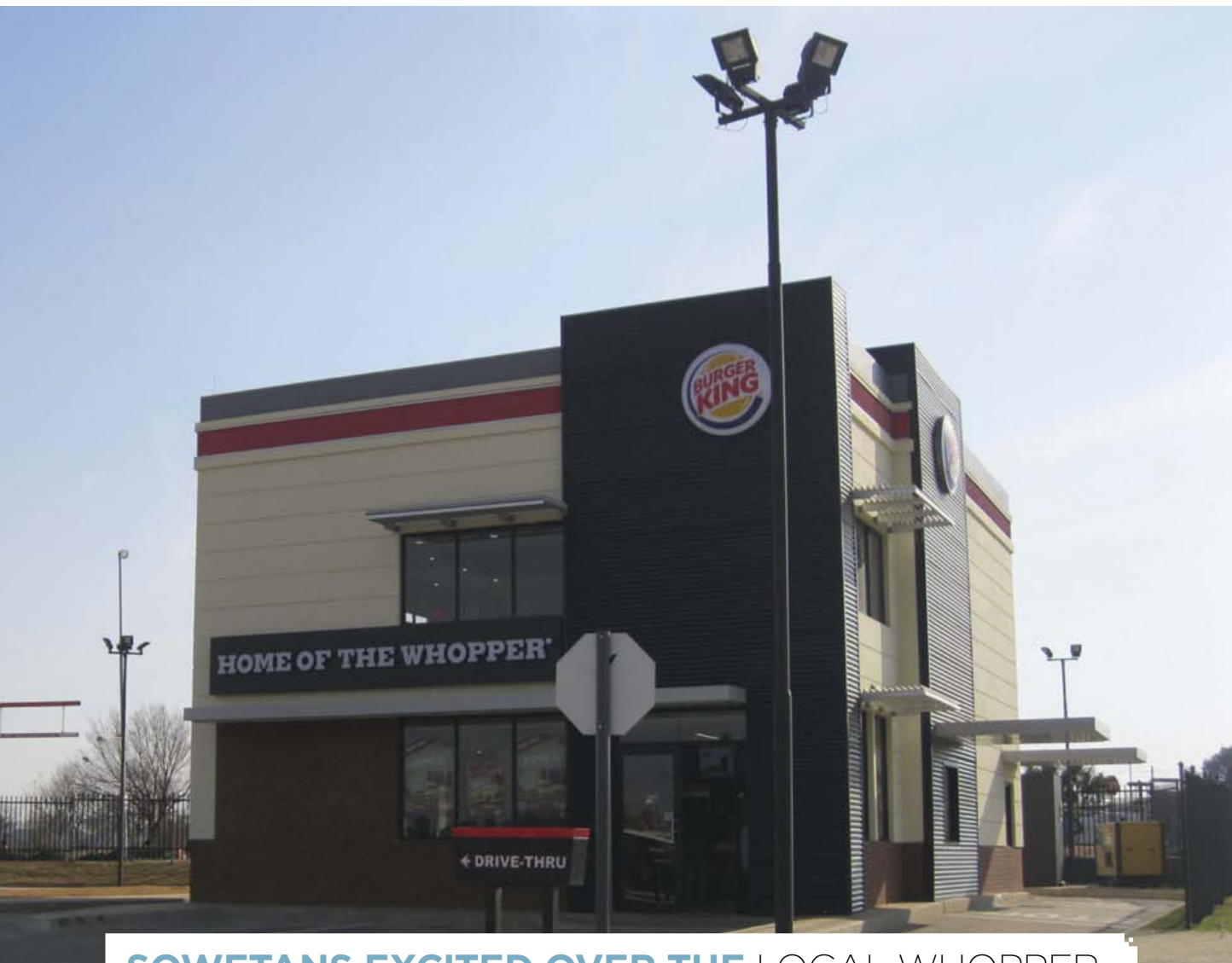
Despite opening 34 stores by end of 2014, Burger King hadn't covered head office and marketing costs, the group said. "The annualised profits of the stores for December 2014 is sufficient to allow Burger King to trade at a profit, but the company has a few months to go to absorb the cost of the initial investment." ■

"OUR TEAM IS CONSTANTLY EVALUATING DIVERSE LOCATIONS IN AREAS OF HIGH POPULATION AND WILL OPEN STORES THAT ARE FINANCIALLY VIABLE FOR US."

The Regina Mundi
Burger King
Building



Jaye
Sinclair



SOWETANS EXCITED OVER THE LOCAL WHOPPER

This weekend *Finweek* went to the Regina Mundi Burger King in Soweto, the first drive-through in the township. A few people trickled into the restaurant and out again, but those who stayed were excited and looking forward to eating a locally made Burger King burger.

While most were not first-time Burger King buyers, they wanted to experience the Soweto Whopper. Student Sinehlanhla Ngubane is one such person – her first Burger King was at the Park Station restaurant when she was heading to varsity in KZN. Now that she

is home in Soweto for the June holidays, she says she was excited to buy her first Burger King in her place of birth.

Lerato Madlala, who grew up in Soweto but lives in Roodepoort, brought her children to eat at the Regina Mundi burger joint. She says the first Burger King she bought was in the Roodepoort area. But since she grew up in Soweto, she wanted to experience her first *kasi* (township)-made Burger King. “It’s my first time eating the Burger King here in Soweto and it’s so refreshing from eating McDonald’s.

This is something different for me because I’m tired of eating there. But my kids still love McDonald’s,” she says.

Dipuo Ndima and her family also came to see the first Soweto Burger King. She was disappointed with her burger. She said it did not taste the same as the ones she was used to. “It’s not as delicious as the one at Park Station. Last week, on the day the Ormonde Burger King opened, we went there. Their burger also did not compare with the Park Station burger.” ■

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Companies as citizens

BY BOBBY GODSELL

The future of South Africa will be determined by the quality and character of its citizens as much as its leaders. And citizenship is based in civil society, a concept first used by the British political philosopher John Locke to refer to everything that was not state or church. Manifestly business is a part of that.

There are six things that good corporate citizens can do straight away; three about their role in broader society, and three in their own back yards.

The first is to create wealth with integrity and to use it wisely. It is the basis for success of the National Development Plan (NDP), our first long-term national plan since the founding of SA in 1910. This holds a picture of the 2030 economy that is thrice its current size, doubling per capita wealth, taking unemployment down to 6%, and eradicating poverty as defined by the Treasury.

Secondly, businesses as a part of civil society can be good citizens by building our institutions. These institutions are the habits of character of a nation, the way things get done, and how we organise power, prestige and reward and punishment. They are incredibly important and companies can help make them work.

“Good citizen” companies don’t offer bribes, including through the corruption of patronage to effect BEE partnerships.

The third way in which companies can be good citizens in the public square is to enable their own

employees to become active citizens.

We only become citizens, and not subjects, when we truly believe that we govern, have power, have rights, that we can fix things, and when we become solution-orientated.

Do we have any of the symbols of the South African identity at our workplace? Is there a flag? Do we display and explain the quite extraordinary national motto, Khoisan words meaning “Unity in Diversity”? Do we share at work the preamble to our constitution that captures the settlement when two SA tribes, the whites and the blacks, decided not to kill each other but to talk to each other and to share the country? What would our lives be like if we started every work shift by standing under the flag and reading the constitution’s preamble, and if we encouraged employees to understand the bill of rights?

If we want to shape the attitudes of what it means to be in the nation, to be a citizen, then we need to give our employees access to the tools of citizenship. The NDP, for example, is 484 pages long but its first 11 pages are just a vision, a poem, by Njabulo Ndebele and Antjie Krog. It is a magnificent piece, an epic poem, about what it means to be a South African. To make that available to employees is what active citizens do.

Then there are three company-based things that good corporate citizens can do. The first is to bring in workplace democracy. That means implementing chapter five of the Workplace Act, which provides for





Getty Images/Paper Boat Creative

workplace forums – bodies elected by all employees, unionised or not. These are meant to be channels of communication, transformation, and joint decision-making between the management of a particular workplace and the workforce. And we should include profit-sharing with employees in how we run our businesses.

Employee debt is another area that businesses should be active about. The National Credit Regulator reports that SA has 25m credit-active consumers, 12m of whom are “credit impaired”, effectively blacklisted. What can companies do?

They can do a debt audit, perhaps debt counselling, and find ways to assist employees to manage themselves out of debt. Frankly, an employee who is afraid to open the envelope because it might be a letter of demand is not a productive employee. Neither can he or she be a productive citizen.

Finally, we can be real, practical and helpful in assisting SA’s schools, a deep concern to many. Simply complaining helps no one, and writing them off is neither sane nor warranted.

Of course our education system needs fixing. But it’s pretty daunting to think about almost 30 000 state schools with 300 000 teachers and 5m or more pupils. To transform a system of this size requires almost an act of God.

But companies of every size can find out where the children of their employees go to school. This already happens, often at the top end of businesses, and is partly why many of the most prestigious private schools have CSI-funded facilities, sometimes linked to their schooling outreach programmes.

Why don’t we just extend this? If a company can find out what public schools its employees use, they could imaginatively connect employees

WE ONLY BECOME
CITIZENS
WHEN WE TRULY
BELIEVE
THAT WE
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HAVE
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HAVE
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THAT WE CAN
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AND WHEN WE BECOME
SOLUTION-ORIENTATED.

to each other, run staff volunteer teaching programmes, or work with school governing bodies to assist management or improve facilities.

Working with the schools attended by the children of employees feels more manageable than being faced with the challenges of all 30 000, and the effects can be positively real.

Being involved in how broader society progresses, taking on things we can manage and do well, and looking beyond simply a company’s immediate business activity, is the stuff of good citizenship.

It is the bedrock of what long-term empowerment looks like. It is the call to us all. ■

editorial@finweek.co.za

Bobby Godsell is the chairman of Business Leadership SA. This is a shortened version of his address to the Nation Builder ‘In Good Company’ conference in Pretoria in June (www.proudnationbuilder.co.za).

Directors' Dealings

Company	Director	Transaction Date	Transaction Type	Volume	Price (c)	Value (R)	Date Modified
ALARIS	J Dresel	30 June	Purchase	34,425	200	68,850	1 July
ARGENT	SJ Cox	2 July	Purchase	7,048	420	29,601	3 July
ARGENT	TR Hendry	30 June	Purchase	2,500	412	10,300	3 July
ARGENT	TR Hendry	30 June	Purchase	1,500	405	6,075	3 July
ARGENT	TR Hendry	2 July	Purchase	666	410	2,730	6 July
ARGENT	AF Litschka	2 July	Purchase	7,048	420	29,601	3 July
DATATEC	S Morris	30 July	Purchase	12,000	350p	£42,000	1 July
DATATEC	J Myburgh	29 June	Purchase	20,000	6500	1,300,000	1 July
DAWN	VJ Mokoena	1 July	Purchase	18,181	550	99,995	6 July
ESOR	B Krone	30 June	Purchase	4,000,000	30	1,200,000	2 July
FAIRVEST	JF du Toit	29 June	Sell	1,000,000	180	1,800,000	1 July
FINBOND	W van Aardt	1 July	Sell	30,300,471	420	127,261,978	6 July
ITALTILE	BG Wood	29 June	Purchase	57,093	1150	656,569	1 July
LEWIS	LA Davies	1 July	Purchase	13,699	9888	1,354,557	6 July
LEWIS	J Enslin	1 July	Purchase	17,522	9888	1,732,575	6 July
LEWIS	N Jansen	1 July	Purchase	9,137	9888	903,466	6 July
LEWIS	D Loudon	1 July	Purchase	9,157	9888	905,444	6 July
PIVOTAL	A Suckerman	1 July	Sell	18,298	2140	391,577	6 July
PSG	J de V du Toit	24 June	Sell	3,840,000	19618	753,331,200	30 June
ROCK	N Matulovich	26 June	Purchase	500	\$224	\$1,120	3 July
SENTULA	RC Berry	30 June	Purchase	14,733	19	2,799	2 July
SENTULA	RC Berry	30 June	Purchase	485,267	20	97,053	2 July
SENTULA	J Lemmer	29 June	Purchase	540,000	20	108,000	1 July
SHOPRITE	NL Schreuder	26 July	Sell	5,530	16800	929,040	1 July
STENPROP	N Marais	30 June	Exercise Options	4,780	_143	_6,835	7 July
STENPROP	N Marais	30 June	Purchase	110,428	_143	_157,912	7 July
SUN INT	CA Reddiar	29 June	Sell	12,097	10813	1,308,048	1 July
SYNERGY	R Hawton	29 June	Purchase	100	749	749	2 July
SYNERGY	S Moseneke	26 June	Purchase	200	749	1,498	2 July
SYNERGY	MJ Potts	26 June	Purchase	19,500	749	146,055	2 July
SYNERGY	MJ Potts	26 June	Purchase	350	749	2,621	2 July
TFG	R Stein	1 July	Sell	6,490	15961	1,035,868	6 July
TFG	R Stein	1 July	Sell	7,995	15838	1,266,248	6 July
VODACOM	SF Linford	1 July	Sell	3,585	14410	516,598	2 July
VODACOM	SF Linford	1 July	Sell	208	14411	29,974	2 July
VODACOM	SF Linford	1 July	Sell	1,034	14412	149,020	2 July
VUKILE	HC Lopion	26 June	Purchase	8,007	1785	142,924	1 July
VUKILE	HC Lopion	1 July	Sell	12,686	1781	225,937	7 July
VUKILE	HC Lopion	30 June	Sell	30,694	1795	550,957	7 July
VUKILE	J Neethling	30 June	Sell	12,820	1795	230,119	7 July
VUKILE	J Neethling	1 July	Sell	5,299	1781	94,375	7 July
VUKILE	J Neethling	3 July	Purchase	2,521	1780	44,873	7 July
VUKILE	J Neethling	3 July	Sell	5,000	1779	88,950	7 July
VUKILE	J Neethling	26 June	Purchase	1,396	1785	24,918	1 July
VUKILE	LG Rapp	26 June	Purchase	25,180	1785	449,463	1 July

Dividend ranking

SHARE	FORECAST DPS (c)	FORECAST DY (%)	SHARE	FORECAST DPS (c)	FORECAST DY (%)
REBOSIS	109	9.1	REDEFINE	80	7.9
PAN AFRICAN	16	8.9	ACCPROP	54	7.8
EQSTRA	24	8.5	OCTODEC	192	7.8
VUKILE	148	8.3	ASTRAL	1200	7.7
EMIRA	134	7.9	GROWTHPOINT	174	6.7


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TEST YOUR KNOWLEDGE

Let's see how well you've been keeping up with events making headlines around the country and the world. To find out the answers, complete the online version of this quiz on Finweek.com.

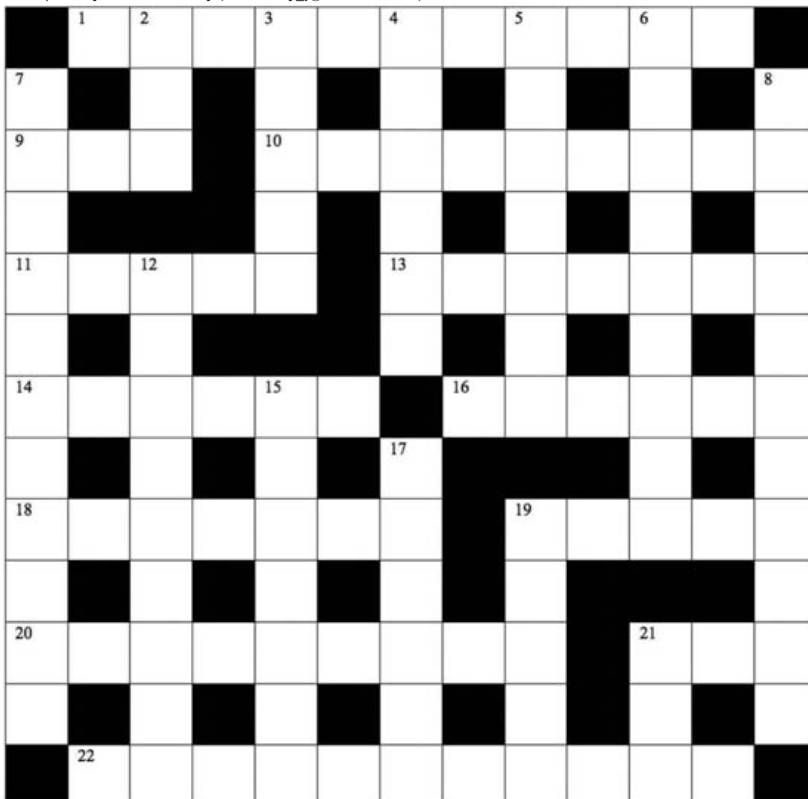
1	Name the boxer who has been stripped of the title he won in a fight against Manny Pacquiao earlier this year.	6	Recently Prasa came under fire because it allegedly imported trains that are not suitable for the South African rail network. Which country were they imported from?
2	Of which country is Hanoi the capital?	7	In the name of the association of five major emerging economies, what does the R in "Brics" stand for?
3	Antony Jenkins was recently fired as group CEO of a prominent company. Select the company involved. ■ Toyota ■ Vodacom ■ Barclays	8	Who is Shaun Abrahams? ■ The new national director of public prosecutions ■ The head of the Hawks ■ The CEO of Yahoo!
4	True or false? The Jacob Zuma Foundation has come under the spotlight for sponsoring a Chinese rugby team.	9	True or false? Citizens of Brazil have called for their president, Dilma Rousseff, to be impeached.
5	True or false? The CEO of MTN, Ahmad Faroukh, recently stepped down.	10	Which South African cyclist had to pull out of the Tour de France due to an injury? ■ Mark van der Westhuizen ■ Sifiso Nhlapo ■ Daryl Impey



CRYPTIC CROSSWORD

Compiled by Jack Dunwoody (dunwoody_j@intekom.co.za)

NO 590 JD ACROSS



- 1** Commit Megan to split second when something special occurs (5,6)
- 9** Hopping mad at being disqualified from heat (3)
- 10** Compiler wondered about retirement cover (9)
- 11** Warm to the Spanish establishment (5)
- 13** Mainly men (7)
- 14** Comparative church is more together, we hear (6)
- 16** An eye specialist, we hear (6)
- 18** We object to users being bamboozled by loan shark (7)
- 19** You need to be slimmer mostly to play a silent actor (5)
- 20** Left soldier and writer back, then read the riot act (9)
- 21** Girl gives thanks in advance (3)
- 22** Put life into a no-nonsense vision (11)

DOWN

- 2** Dined with a goddess (3)
- 3** Ladies cut out to model (5)
- 4** Jellyfish found in body of water alongside America (6)
- 5** Early period of State grieving (7)
- 6** Some lingo can give rise to a new expression (9)
- 7** Portable homes along the sea-coast? (11)
- 8** Perhaps Tuesday or an undefined time at weekend (3,8)
- 12** Speak and say you are a Scot of the earth (9)
- 15** Treatment for a tear? (3-4)
- 17** This artist sculpted a Babylonian goddess (6)
- 19** In the thick of north central US, we move away (5)
- 21** Sounds awfully Twain (3)

Solution to Crossword NO 589 JD

ACROSS: 1 Maid; 3 Commoner; 9 Altered; 10 Delft; 11 Transvestite; 13 & 15 Mating season; 17 Celtic fringe; 20 Grain; 21 Endgame; 22 Exegetes; 23 Tact
DOWN: 1 Meantime; 2 Intra; 4 Odd set; 5 Made the grade; 6 Nilotes; 7 Rota; 8 Present tense; 12 Interest; 14 Teenage; 16 Accede; 18 Nyala; 19 Ogle

ON MARGIN

CLEVER BOYS

Two third-year university students had a week of exams coming up. They decided to party instead. Their biggest exam was on Wednesday, and on the day, they came to the venue and told their lecturer that they'd been stranded out of town the night before because of a flat tyre. They asked for a bit more time to study. The lecturer told them they could have another day.

That evening, both of them crammed all night until they were sure that they knew just about everything. Arriving at class the next morning, the students were told to go to two separate lecture halls to take the exam. Each student just shrugged and went to his allocated venue. As each sat down, he read the directions: "For 5 marks, explain the contents of an atom. For 95 marks, tell me WHICH tyre it was!"

BITTERSWEET CONUNDRUM

Two married men are talking over the telephone. One says, "Ever since we got married, my wife has tried to change me.

She got me to stop drinking, smoking and running around until all hours of the night. She taught me how to dress well, enjoy the fine arts, gourmet cooking, classical music, even how to invest in the stock market."

"Sounds like you may be bitter because she changed you so drastically," remarks his friend.

"I'm not bitter," replies the first. "It's just that now that I'm so improved, I've realised she isn't good enough for me."

CHOICES, CHOICES

It was mealtime during a trip on a small airline.

"Would you like dinner?" the flight attendant asked a man seated in economy class.

"What are my choices?" he asked.

"Yes or no," she replied.

EXPERT KNOWLEDGE

An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.



Ndumiso Ngcobo @NdumisoNgcobo
Anderson has just Protea'd all of SA – with a hint of Bafananitis. #Wimbledon

Michael Jordaan @MichaelJordaan
The light at the end of the tunnel has been turned off due to loadshedding.

Anthony Clark @SmallTalkDaily
Have I lost the plot? News is Greece, Greece & Greece. But world's 2nd largest economy China now lost 30% of value or \$3trn – surely that is bigger?

Ray Mahlaka @RayMahlaka
This is the best summary I have come across on the #GreeceCrisis so far. "Dear Greece, Welcome. Regards, The Third World." – @Thulethozwane

C Constantinides @ChangeAgentSA
Ronald Reagan once said: "The problem isn't that people are taxed too little, the problem is that government spends too much." #GreeceCrisis



"[The eurozone] resembles a fine riverboat that was launched on a still ocean in 2000. And then the first storm that hit it, in 2008, started creating serious structural problems for it. We started leaking water. And of course, the people in the third class, as in the *Titanic*, start feeling the drowning effects first."

– Yanis Varoufakis, former Greek finance minister, in a January interview with Channel 4 News.

"You shouldn't create a partnership with your drunken, frivolous brother-in-law."
– Berkshire Hathaway's deputy chair Charlie Munger at the group's AGM in May, referring to the eurozone's troubles with Greece.



HOW NOT TO GET THAT JOB #23...

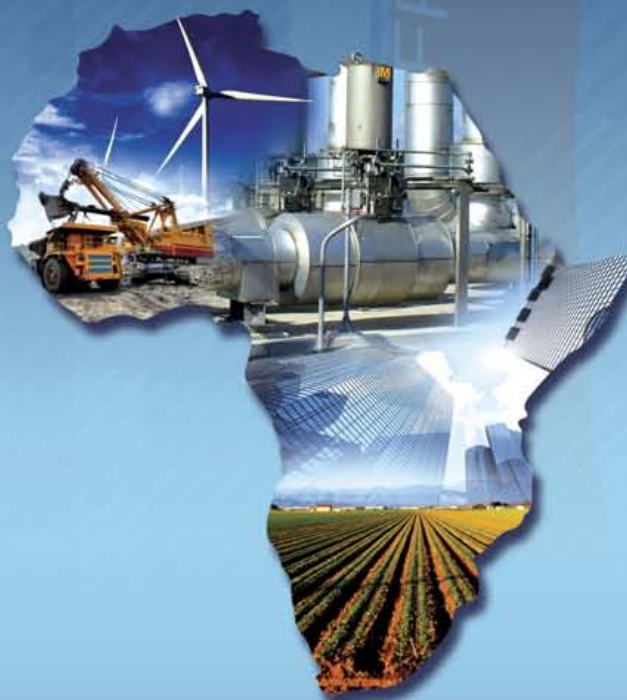


POSING FOR A POST-INTERVIEW SELFIE



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Jack Nicklaus



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